

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

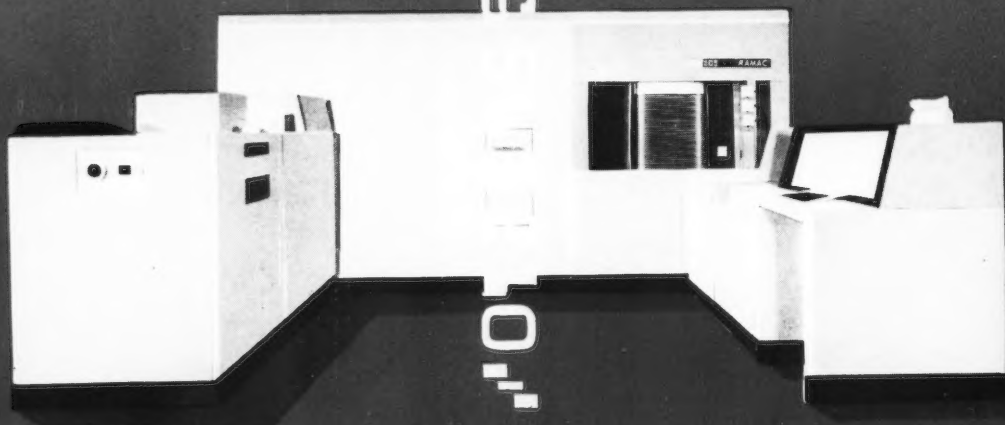
APRIL 1959



The legislative conveyor-belt has picked up . . . (pages 3 and 37)

The Trend in Bank Mergers (page 34)

**Tailoring Annual Reports for Both Depositors
and Stockholders** (page 40)



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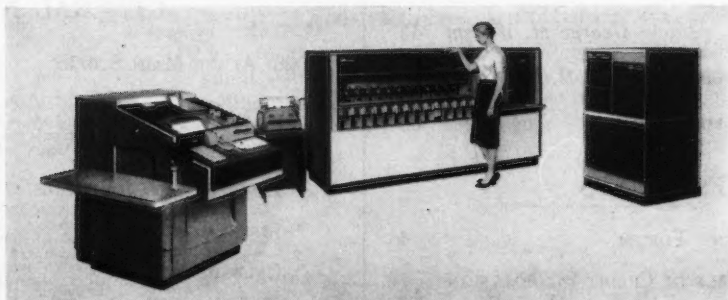
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COMPLETE — AUTHENTIC

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In This Issue

20 Years of Bank Mergers

Herbert Bratter's "The Trend in Bank Mergers" is another good piece of reporting by BANKING's well-known Washington observer and correspondent. In the article starting on page 34, he tells what has happened in this busy field, why it happened, and then looks ahead. In considering the future merger trend, he observes: "... one can only conclude that merger pressures will persist in coming years."

★ ★ ★

Why Customers Choose Your Bank

For an illuminating commentary on this subject, read George M. Wasem's article, page 48. His approach differs from the familiar survey techniques: The format is an account of calls actually made by a commercial bank officer on his customers, principally company treasurers. Mr. Wasem says the *quality* of the call is perhaps the most important factor in influencing these business executives in their choice of a banking connection. Thus preparation and planning are imperative.

★ ★ ★

Those Bank Reports

The average bank report lacks information and should follow generally accepted principles of accounting, says Henry P. Hill, Price Waterhouse partner, in an article on page 40. CPA Hill's comment is constructive: He suggests a form of financial statement to accomplish the recommended end. Although he admits that the proposals "are perhaps too far-reaching for the individual bank to act upon unilaterally," he feels that this may be the time for banking to "arrive at a program for the improvement" of the reports to shareholders.

★ ★ ★

Savings, Mortgages, Instalment Credit?

Chances are you're interested in one or more of these subjects, and that you'll want to review the recent A.B.A. conferences covering them. Time-saving résumés of the Savings and Mortgage meeting in New York and the Instalment Credit sessions in Chicago appear in this issue. (Pages 102 and 108.)

THIS MONTH'S COVER



At the right in our cover photo is Rep. Brent Spence, Kentucky Democrat who heads the House Banking and Currency Committee. With him is Rep. Paul Brown, Democrat of Georgia, who heads Subcommittee No. 2 of Mr. Spence's committee. It is Mr. Brown's subcommittee that has under consideration the "vault cash" bill, discussed in "Washington," beginning on page 40, along with a number of other pieces of pending legislation important to banks

RENT FOR BANKING

BANKING'S Investment Forum

Dealers as a Source of Credit Information on Municipals

IN view of the important role dealers in municipal securities play in their distribution to banks as well as other investors, dealers constitute a logical channel for supplying credit information on such securities, not only at the time of their original distribution but at appropriate intervals thereafter during the life of the securities. Bank

HERBERT BRATTER

supervisory authorities, in examining banks' investment portfolios, require each such institution to have on file adequate and up-to-date credit information relating to each such municipal security.

A great many investment bankers

and dealers in state and local government securities at times issue informative circulars of new offerings. Their customers are justified in looking to the sellers to supply them with subsequent information bearing on the credit of the securities purchased as such information becomes available, and, further, to see to it that the information does become available. Generally, individual dealers feel a responsibility with respect to issues which they have distributed and do try to obtain and distribute to their customers current financial information.

In some states, moreover, there exist state organizations supported by dealers, banks, and others which obtain and make available on a membership basis current financial information from issuers of municipal bonds in those states. Examples are the Municipal Advisory Council of Texas, the Municipal Councils of the Carolinas, the Municipal Advisory Council of Ohio, the Michigan Municipal Council, and the Tennessee Tax Payers Association, Inc. In several states where such councils do not exist they are being formed. Where a bank does not have direct access to the information made currently available by such a council in its state, it may obtain it indirectly through a dealer.

The kind of information desirable for an investor in municipals to seek was described in considerable detail in a 1951 publication of the A.B.A.'s National Bank Division: *Guide for Municipal Bond Credit Files*. That publication, sold by the A.B.A. at \$1.25 per copy, was endorsed by the three Federal bank supervisory agencies and by the National Association of Supervisors of State

CRUCIAL PROBLEM FOR 1959

At the recent Savings and Mortgage Conference (see page 108) Dr. Roy L. Reiersen, vice-president and chief economist of the Bankers Trust Company, New York, spoke on "The Investment Outlook for 1959." He is shown, at right, in the picture below with C. Arthur Hemminger (left), vice-president and public relations director, First National Bank in St. Louis, and Louis B. Lundborg, vice-president, Bank of America N.T. & S.A., San Francisco, and president of the A.B.A.'s Savings and Mortgage Division. Dr. Reiersen said that the crucial problem this year is to meet as much of the Treasury's needs as possible outside the banking system



(CONTINUED ON PAGE 6)

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(CONTINUED FROM PAGE 4)

Banks. The value of the information it contains is not limited to national banks. This publication discusses commercial banks' policies and authorities in respect to investments in municipals; lists and discusses in detail factors bearing on the quality of municipal obligations; suggests forms for maintaining adequate credit files; and names sources of information.

In addition to the guide, the National Bank Division offers for sale in quantity four different forms, which are fully described in the booklet, including a "test sheet" for general municipal obligations, a current data sheet for the same, and similar sheets for municipal revenue bonds.

IBA Objectives

On the part of the dealer, the Investment Bankers Association of America, through its municipal securities committee, also has striven over the years for fuller disclosure of the facts of interest to investors in municipals. Among its objectives have been greater uniformity in municipal circular specifications and greater continuity of information for investors. The IBA has been quite specific in its recommendations as to the content of offering circulars and has offered model report forms for use by issuers.

A good example of a new-issue offering circular (preliminary) is that distributed in January for the \$2,500,000 Florida Development Commission Putnam County Road Revenue Bonds by B. J. Van Ingen & Co., Inc. Information in the 3-page mimeographed circular includes Moody's and Standard & Poor's rating, counsel's opinion as to tax exemption, redemption provisions and maturities, description of the Florida Development Commission, validation of the issue, purpose and cost of the road project and security. Also, the circular discusses in detail the source of rentals; gives historic revenue figures; describes the application of rentals to sinking fund; forecasts revenue, debt service, and coverage year by year until maturity in 1975; notes specifically the Commission's covenant not to create any encumbrance upon the pledged revenues and the State Road Department's covenant to maintain

(CONTINUED ON PAGE 10)



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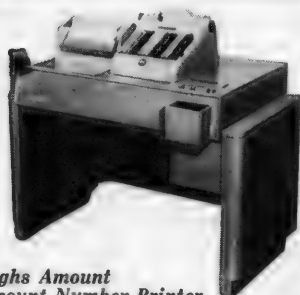
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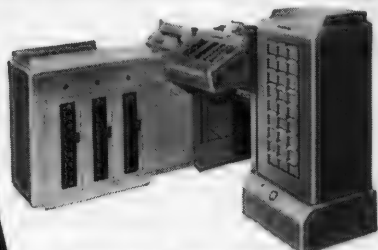
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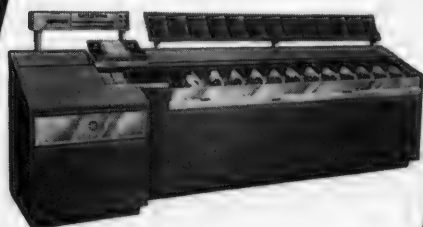
processing



Burroughs Amount and Account Number Printer.

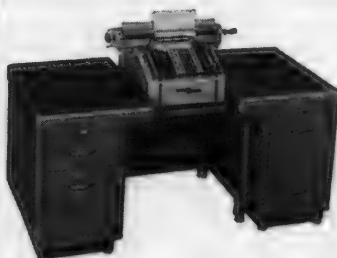


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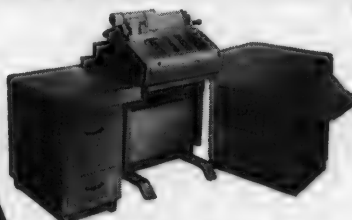


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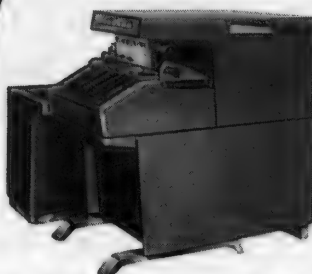
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(CONTINUED FROM PAGE 6)

the project as part of the State Road System; and, finally, provides some facts about Putnam County.

Covenant Intended to Break Information Lack

It should be borne in mind that issuers of municipals are under no legal obligation to furnish information to investors. To get around this fact the IBA has sought, at least in the case of revenue bonds, to get the issuer to assume this obligation through a covenant and thus institutionalize machinery for disseminating up-to-date information to holders of such obligations. The IBA seeks to encourage incorporation in trust agreements or similar authority governing revenue bonds a covenant providing for the filing of pertinent information with the chief underwriter, financial reporting agencies, and financial publications "annually or oftener in the case of projects whose securities have wide distribution, as is required by law of commercial banks."

The chief underwriter is expected to make these reports available to members of the syndicate, and they in turn should pass them on to those to whom they have sold the bonds. In this way, it is envisaged, the needed credit file of the bank will be maintained.

Bank May Seek Facts from Issuer

Unfortunately a great many small issuers of municipal securities simply are not staffed to keep investors supplied with periodic statistical and other information. Thus a serious informational problem confronts everyone concerned with municipals. While many efforts have been made over the years to solve this problem, no solution workable on a large-scale basis has yet been found.

The bank's best line of action is to keep after the dealer to assemble the best information and keep it as current as possible from time to time. Where the bank has bought the security directly from the obligor, the bank's only way to keep its credit file current is to obtain regular information from the issuer directly. The least that it can do in such a case is to obtain the issuer's annual audit reports year after year.

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Here are some representative distributions in which we participated during 1958, together with the number of shares we sold and the number of buyers we reached across the country.

NAME OF COMMON STOCKS	Shares We Sold	Buyers	States Where Sold
ACF-WRIGLEY STORES, INC.	10,000	65	15
AIR REDUCTION CO., INC.	7,000	179	19
ALUMINIUM LIMITED	60,398	476	30
ALUMINIUM LIMITED	20,360	167	20
*AMERADA PETROLEUM CORPORATION	12,378	189	14
*AMERADA PETROLEUM CORPORATION	10,200	142	26
AMERICAN CAN COMPANY	33,000	793	32
*AMERICAN ELECTRONICS, INC.	60,205	381	27
AMERICAN & FOREIGN POWER CO., INC.	25,000	94	12
AMERICAN HERITAGE LIFE INSURANCE CO.	170,999	1,141	32
AMERICAN NATIONAL INSURANCE CO. (Galveston)	71,291	613	35
*ARCHER-DANIELS-MIDLAND CO.	30,700	319	29
ATCHISON, TOPEKA & SANTA FE RY. COMPANY	50,357	434	31
BENDIX AVIATION CORPORATION	9,910	127	25
BORG-WARNER CORPORATION	5,790	44	20
*BURROUGHS CORPORATION	25,548	281	29
CENTRAL SOYA COMPANY, INC.	9,591	112	16
CHAMPION SPARK PLUG COMPANY	45,500	993	35
COLUMBIA GAS SYSTEM, INC.	206,357	2,222	35
CONTINENTAL INSURANCE COMPANY	10,407	159	22
*CONTINENTAL OIL COMPANY	10,000	96	11
DOUGLAS AIRCRAFT CO., INC.	8,001	97	19
FEDERATED DEPARTMENT STORES, INC.	4,000	48	17
*FLORIDA POWER CORPORATION (Old)	15,000	246	18
FLORIDA POWER & LIGHT COMPANY	59,907	791	19
FOOD FAIR STORES, INC.	15,000	229	23
GENERAL MOTORS CORPORATION	50,000	577	33
GENERAL PUBLIC UTILITIES CORPORATION	10,000	103	24
GENERAL TELEPHONE CORPORATION	17,688	690	33
*GOODRICH (B.F.) CO.	10,000	122	15
GULF OIL CORPORATION	10,131	185	25
GULF STATES UTILITIES CO.	88,254	1,079	37
IDAHO POWER COMPANY	43,125	463	20
ILLINOIS CENTRAL R.R. CO.	12,022	116	28
INGERSOLL-RAND COMPANY	21,546	286	26
*INTERNATIONAL BUSINESS MACHINES	5,000	459	32
JOHNS-MANVILLE CORPORATION	10,100	101	30
LYKES BROS. STEAMSHIP CO.	25,020	296	26
MELVILLE SHOE CORPORATION	54,906	472	31
MERCK & CO., INC.	13,734	190	24

NAME OF COMMON STOCKS	Shares We Sold	Buyers	States Where Sold
MONSANTO CHEMICAL COMPANY	15,000	196	24
NORTHERN INDIANA PUBLIC SERVICE CO.	22,246	341	27
*OKLAHOMA NATURAL GAS CO.	25,286	277	25
OLIN MATHIESON CHEMICAL CORP.	40,167	479	34
PACIFIC LIGHTING CORPORATION	82,200	1,111	24
PEPSI-COLA GENERAL BOTTLERS, INC.	45,000	243	27
PFIZER (CHAS.) & CO., INC.	12,659	123	23
PHILLIPS PETROLEUM COMPANY	40,000	482	34
PILLSBURY MILLS, INC.	7,505	100	20
PORTLAND GENERAL ELECTRIC CO.	15,000	125	19
*PROCTER & GAMBLE COMPANY	10,428	74	23
PUBLIC SERVICE ELECTRIC & GAS COMPANY	180,951	2,253	33
SEARLE (G.D.) & CO.	15,599	317	29
*SHELL OIL COMPANY	7,100	36	15
*SHELL OIL COMPANY	7,700	22	7
SOCONY MOBIL OIL CO., INC.	32,608	340	27
STANDARD OIL CO. OF CALIFORNIA	13,800	177	28
STANDARD OIL CO. OF NEW JERSEY	10,000	109	30
STANDARD OIL CO. OF NEW JERSEY	78,000	1,104	35
*STANDARD OIL CO. OF NEW JERSEY	35,285	618	26
STANDARD OIL CO. OF NEW JERSEY	25,000	376	32
TENNESSEE GAS TRANSMISSION CO.	65,231	792	28
TEXAS COMPANY	13,000	185	28
*TEXAS COMPANY	11,800	100	13
TEXAS EASTERN TRANSMISSION CORP.	30,051	282	29
TEXAS EASTERN TRANSMISSION CORP.	12,001	130	21
TEXAS GAS TRANSMISSION CORP.	14,606	142	25
TEXAS GAS TRANSMISSION CORP.	8,679	101	20
TEXAS UTILITIES COMPANY	7,870	150	17
TRANSAMERICA CORPORATION	8,500	84	26
TRANSCONTINENTAL GAS PIPE LINE CORP.	17,003	198	30
UNION PACIFIC RAILROAD COMPANY	77,448	759	35
UNITED GAS CORPORATION	50,000	571	34
U. S. GYPSUM COMPANY	5,505	58	22
UNITED STATES PIPE & FOUNDRY CO.	12,080	81	9
UPJOHN COMPANY	100,095	2,376	34
VANADIUM CORPORATION OF AMERICA	10,000	85	12
WASHINGTON WATER POWER CO.	16,000	213	3
*WESTINGHOUSE ELECTRIC CORPORATION	45,056	524	33
*WEST VIRGINIA PULP & PAPER CO.	6,000	54	16

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Who are they?

One is a local banker, the other is the man from Chase Manhattan. Hard to tell them apart, isn't it? They're similar in a lot of ways—in their interests, their outlook and the work they do.

What are they doing?

Solving a problem together. In this case, *a loan for business*. Very often, banks have requests for credit which they do not wish to handle alone. That's where correspondent banking comes in—and Chase Manhattan is *the banker's bank*. As a correspondent, you can call on Chase Manhattan just as if it were an extension of your own bank.

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Frequently our banking friends ask us to participate in loan situations which they have developed. Sometimes, as a matter of policy, they prefer to spread their loan portfolios. Then there are occasions when they're approaching their legal limit. When you need help—"Talk to the people at Chase Manhattan"—you automatically add the specialized facilities and resources of a world-wide bank to yours.

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do...

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The Advertising Department's program covers:

- Annual nation-wide surveys covering bank advertising plans, expenditures, services featured and media used.
- Syndicated advertising and educational material for local bank use, including direct advertising folders, blotters, booklets, newspaper mats, display posters and radio announcements.
- Publication of "School Saver," a miniature newspaper devoted to thrift for distribution to pupils in the 9-to-14 group.

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- A film strip and several films explaining and interpreting the broad services and contributions of banks.
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Journal of the American Bankers Association

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GOVERNMENT BONDS

Market Sentiment Momentarily Better . . . Rise in Rediscount Rate . . . Treasury Bills Well Taken . . . Open Market Committee Inactive . . . New Tax Anticipation Bills . . . Bank Loans Change Little . . . Investments Decline . . . New Cash Needed by Treasury . . . Outlook

MURRAY OLYPHANT

WHAT was said at the beginning of the year as to the business outlook could have been repeated in recent weeks. Economists continued to expect that 1959 would show considerable improvement over 1958. The total for "disposable personal income" and "personal savings" still continued to rise.

But the battle of the budget and—more specifically—the debate as to whether or not some inflation of the money supply was required for continued progress, continued to rage. Both "creeping" and "controlled" inflation had their advocates. With the logic of all past experience, dissenters pointed out that "creeping" had invariably become "galloping" eventually, and that the only types of possible "control" were obnoxious in a free society—even then—uncertain in their effect.

The constant demand for equity securities seemed to be due much more to an inflationary bias than to any sound relationship between stock values and their current or prospective earning power.

In short, the conditions underlying the bond market—which were pretty sure to govern its long-term behavior—remained about as they had been for several months.

Nevertheless market sentiment became optimistic and prices improved.

Market Sentiment Bettters Momentarily

Between February 2 and March 2, the prices of Government securities improved in all the maturity ranges. Nearly all the maturities

from 1969 to 1995 rose a point or more. In the 3- to 5-year range an improvement of about $\frac{3}{4}$ was pretty general. The small issue of 4% bonds 1980—originally sold at 99—rose above 100 and almost pulled the 3 $\frac{7}{8}$ % bonds along with them. In the short-term area the recently issued 3 $\frac{3}{8}$ % certificates 2/15/60 and the 4% notes 2/15/62 registered premiums of 10/32 and 30/32 respectively.

Several factors contributed to the about-face in market behavior.

In the first place, there was over \$2-billion available for new purchases of one kind or another as a result of the cash attrition in the Treasury mid-February refunding.

In the second place, at no time during the month was there the slightest threat of a new long-term offering by the Treasury Department either for cash or exchange. Such a threat had been a heavy damper on the market in previous months.

In the third place, excellent market reception of new corporate and municipal offerings had lowered the yield on such issues to a point where the spread in yield as between Government and other obligations had declined to only about $\frac{1}{4}$ %. Conservative investors naturally began to look with more favor on the Government offerings.

In the fourth place, the supply of Government bonds was very thin. Dealers' positions had not been increased. Where there were offerings, they were chiefly part of sell-and-buy transactions for tax purposes.

With these factors present, only a moderate increase in activity was

necessary to result in the markup of prices which occurred.

Furthermore, one of the Governors of the Federal Reserve Board made a speech which was interpreted as not only voicing the concern of the Board over the continuing high level of unemployment but as meaning that the Board was unlikely to tighten the credit reins further.

However, at the end of the very day on which these interpretations had begun to move prices somewhat higher, there was an expected and contrary announcement.

Rise in Rediscount Rate

With the consent of the Board of Governors of the Federal Reserve System, the Reserve banks in New York, Chicago, Philadelphia, and Dallas raised the rediscount rate from 2 $\frac{1}{2}$ % to 3%. The other Reserve banks were expected to take the same action in due course.

As the average rate at which the 3-month Treasury bills had sold over the preceding five weeks had been nearly 2 $\frac{3}{4}$ %, it was felt that the rediscount rate had been raised in order to bring it more in line with the bill rate. However, the move was further evidence that the monetary authorities had no present intention of easing the credit situation, whatever the amount of unemployment. Furthermore a review had been made of the intentions of consumers, which resulted in the conclusion that there would be no let-up in consumer purchases.

In any case, the action taken was enough to bring improving prices
(CONTINUED ON PAGE 18)



Southeast Dixieland Banks using
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the electronic bookkeeping machine!

And now...

a Salute to the Banks of Southeast Dixieland!

59 banks in this seven-state area have installed
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ALABAMA

	Post-Tronic Machines Installed	Conventional Machines Replaced
The First National Bank of Birmingham.....	10	18
Birmingham Trust National Bank.....	2	4
First National Bank, Mobile.....	12	22
American Nat'l. Bank & Trust Co., Mobile.....	4	6
First National Bank, Union Springs.....	1	2

FLORIDA

Coral Gables First National Bank.....	11	25
City National Bank of Coral Gables.....	3	2
American National Bank of Fort Lauderdale.....	4	8
Broward National Bank of Fort Lauderdale.....	3	6
Wilton Manors National Bank, Fort Lauderdale.....	3	4
South Dade Farmers Bank, Homestead.....	2	4
The Atlantic Nat'l. Bank of Jacksonville.....	2	4
The Beach Bank, Jacksonville Beach.....	2	4
First National Bank, Leesburg.....	3	5
Industrial National Bank of Miami.....	5	4
Pan American Bank of Miami.....	8	15
North Shore Bank, Miami Beach.....	8	14
Curtiss National Bank of Miami Springs.....	6	7
Citizens National Bank of Orlando.....	2	4
The Florida National Bank at Orlando.....	7	13
Bank of Palmetto.....	4	6
First Bank & Trust Company of Pensacola.....	6	8
First National Bank of Pompano Beach.....	5	12
Citizens National Bank, St. Petersburg.....	7	15
The First Nat'l. Bank in St. Petersburg.....	3	5
National Bank of Sarasota.....	2	NEW BANK
Brevard State Bank, Titusville.....	1	NEW BANK

GEORGIA

The Bank of Albany.....	2	4
The Bank of Georgia, Atlanta.....	2	3
Citizens & Southern Nat'l. Bank of Atlanta.....	9	Installation in progress
Citizens & Southern National Bank, Savannah.....	7	
American National Bank, Brunswick.....	2	2
Columbus Bank & Trust Company, Columbus.....	8	17
First National Bank in Waycross.....	2	5
Farmers & Merchants Bank, Eatonton.....	1	1

LOUISIANA

Fidelity National Bank of Baton Rouge.....	7	14
The National Bank of Bossier City.....	2	5
St. Landry Bank & Trust Company, Eunice.....	1	3
Lake Providence Bank, Lake Providence.....	1	2
Central Savings Bank & Trust Co., Monroe.....	5	8
Citizens National Bank, Morgan City.....	2	2
Morgan City Bank & Trust Company.....	2	2
The Hibernia National Bank in New Orleans.....	2	4

MISSISSIPPI

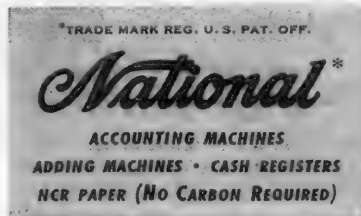
Rankin County Bank, Brandon.....	1	3
Bank of Commerce, Greenwood.....	1	2
Merchants & Farmers Bank, Meridian.....	1	2

NORTH CAROLINA

The Citizens National Bank in Gastonia.....	3	7
Bank of Greensboro.....	5	7
First National Bank of Whiteville.....	1	2
Bank of North Wilkesboro.....	2	4
City National Bank of Winston-Salem.....	4	6

SOUTH CAROLINA

The South Carolina National Bank, Charleston.....	6	11
Carolina National Bank of Easley.....	1	4
State Bank & Trust Company, Greenwood.....	2	3
North Augusta Banking Company.....	1	2
Bank of Ridgeland.....	1	1
Piedmont National Bank of Spartanburg.....	2	4
Bank of Walterboro.....	2	2
The Congaree Bank, West Columbia.....	1	2

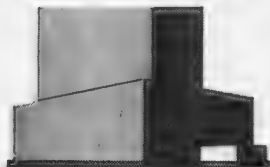


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(CONTINUED FROM PAGE 16)

to a halt and to increase the likelihood of a reversal in the trend of the market, although the effect would probably be sharper in the short-term than long-term area.

Treasury Bills Well Taken

All through February the weekly issues of Treasury bills continued to be well absorbed outside of the banking system. Furthermore, the average cost for the five weekly offerings was a little lower than in the previous month.

There was a tendency for the spread in yield between the 3-month and 6-month bills to widen somewhat, as can be noted from the tabulation at the bottom of this page.

In addition to these regular offerings, a special issue of \$1,500,000,000 of tax anticipation bills due 9/21/59 was sold for cash on February 16 at an average cost to the Treasury of 3.293%. Banks were heavy subscribers, as usual, for TA offerings but were able to lower their holdings by sales to others over the next few weeks. The bills were quoted 3.14%-3.10% by March 4.

Toward the end of February the amount of repurchase agreements needed to clear the market at times rose somewhat, causing some thought as to what might happen should there be a mid-March demand for loans to meet tax requirements. However, the consensus seemed to be that corporate demand for such loans would be less than in either 1957 or 1958, as corporations are heavy holders of early maturing Treasury bills, and their "cash flow" has been of record size.

Open Market Committee Inactive

From January 28 to February 25 the portfolio of the Federal Reserve banks declined \$96,000,000. Only \$41,000,000 of gold left the country,

which was just about offset by a decline in money in circulation of \$39,000,000. The average amount in the float was slightly below the previous month.

The net borrowed reserve position of the member banks averaged a little over \$100,000,000 for the month, but was expected to be more than that during March.

There was no indication of such change in the attitude of the monetary authorities. Their hold on the credit reins remained firm and was tightened somewhat by the rise in the rediscount rate.

Bank Loans Change Little; Investments Decline

For the reporting member banks the period from January 28 to February 25 showed minor changes in loan totals. Loans were down \$56,000,000. Real estate and other loans rose \$157,000,000, but loans to carry securities dropped \$191,000,000, while the sum of commercial, industrial, and agricultural loans declined \$17,000,000.

On the other hand total investments were down \$1.3-billion, consisting largely of a shrinkage in the Government note category. Holdings of Treasury bills rose \$160,000,000, which was very little in view of the heavy subscriptions which the banks had made to the special issues of TA bills.

There is, as yet, no evidence of a renewed demand for loans. Singularly enough, the demand has been better outside of the money centers. The second quarter of the year is hopefully expected to record some renewal of demand.

More Cash for The Treasury

Once again, on February 26, the Treasury started to get an extra \$100,000,000 a week by increasing the amount of bills offered. If con-

(CONTINUED ON PAGE 20)

Recent Bill Offerings

Offered on	Amount Offered		Aver. Cost		Yield Spread
	3 mos.	6 mos.	3 mos.	6 mos.	
Jan. 29	\$1,400 mil.	\$400 mil.	2.721%	3.107%	.39%
Feb. 5	1,400 mil.	400 mil.	2.810%	3.326%	.51%
Feb. 12	1,400 mil.	400 mil.	2.726%	3.253%	.53%
Feb. 19	1,400 mil.	400 mil.	2.589%	2.978%	.39%
Feb. 26	1,500 mil.	400 mil.	2.816%	3.111%	.40%

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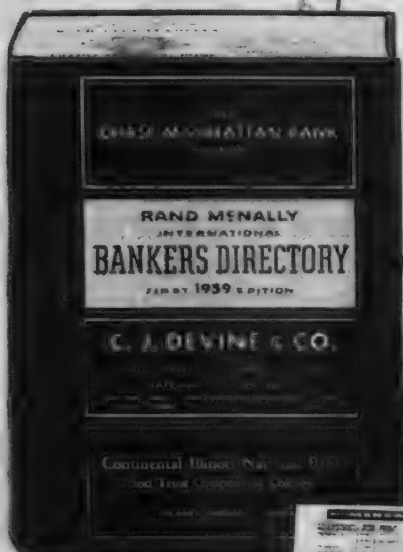
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(CONTINUED FROM PAGE 18)

tinned through April 16, about \$600,000,000 of new cash will have been obtained.

But on March 3 the balance with the general fund of the Treasury was below \$5-billion; and so large a part of tax payments due this month will be made in maturing bills that the excess of deposits over withdrawals—normal for March—is likely to be slowly reduced.

Current expectations are that the Treasury will need between \$2½-billion and \$4-billion new cash between now and the end of the fiscal year on June 30 and may try to get most of it pretty soon. That the better part of what is offered will have a maturity of three years or less is generally expected. But, once again, rumors of a 5- to 10-year bond are cropping up. Reopening of subscription for the 4% bond 1980 has been very tentatively suggested.

All this is decidedly dampening on any prospect for rising prices.

Outlook

The action taken by the Federal Reserve authorities in raising the rediscount rate confirms the view that no relaxation of credit restraint is in prospect.

Despite the better sentiment which prevailed in the market in February, it seems reasonable to regard that improvement as temporary.

Unless the economic soothsayers are completely wrong, the volume of business will show a considerable increase in the months to come, with a consequent renewal of the demand for bank loans.

The Treasury will need more new cash before June 30 and a greater amount in the last six months of this year. This is bound to have an unfavorable effect on market prices, especially in the short-term area.

The situation seems to be one which justifies the belief that interest costs will rise and bond prices will decline.

SUDDEN CHANGE

That money won't go far these days
I'm willing to concede,
But what it lacks in distance now
It makes up for in speed.

STEPHEN SCHLITZER



an idea is one thing

the solution another

Five hundred years ago Leonardo da Vinci drew plans for an airplane. Da Vinci's thinking was so far ahead of the technical skills available to him that mankind spent nearly five centuries achieving truly successful and commercially practical applications of his ideas.

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Continental Rate Chart

4. Simple Monthly Report

Once each month all new insured loans are grouped on this simple reporting form and sent with a check for the insurance premium to your insurance agent.

2. Direct Loan Business

When your clerk prepares the loan papers she fills in this simple snap-out certificate. Your customer gets his insurance certificate on the spot along with his copy of the loan note.

5. Claim Payments

All claims are quickly and efficiently handled by Continental and your insurance agent.

3. Dealer Business

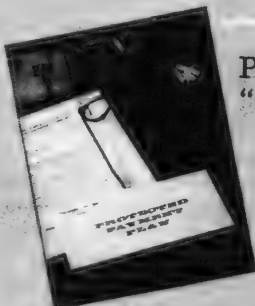
When the note is submitted for approval your dealer includes a 3 x 5 card with the necessary information for the insurance certificate. On approval of the loan this card is forwarded to your insurance agent who completes the certificate and mails it to your borrower.

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THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

MANY recent actions raise many questions for investments. The upgrading of the Federal Reserve discount rate from $2\frac{1}{2}\%$ to 3% has had its effect in other sectors of the short-term markets. What the long-term effect on long-term securities will be, remains to be seen.

But everyone seems agreed that, on net balance, too many securities will bid for too few dollars of savings for 1959 as a whole. While this is true in municipals and corporate issues, the situation will be aggravated by Treasury demands for large amounts of short-term money. On top of that will come demands for funds by Government agencies which are allowed to borrow at higher rates than the Treasury. In this area the Government competes with itself around the corner.

The Stock Market

"There has been no stock market like this since the roaring 1920s," as one observer put it the other day. This may be perfectly true. Then, will history repeat itself? It could, but hardly in the same manner.

In the 1920s institutional investors were relatively few. Today they comprise about one-third of all trading. This makes for more knowledgeable, rather than emotional, buying on impulse. Compared with 1929, too, the number of people who buy on credit is much smaller.

The stock market is very selective. So is the economy as a whole. It need only be pointed out that in 1958 the net income of the amusement industry fell 42% against 1957 and that of the auto industry dropped 42%. In the same period, tobaccos had a net 21% higher, and telephone and telegraph boosted their net by 15%.

The Bond Markets

Outside of a relatively few individuals, the bond markets today are institutional. Forgetting Governments, the tax-exempt municipals, rather than corporates, dominate the volume. In this sector, insur-

ance companies and pension funds continue to be the biggest buyers.

Most pension funds are of relatively recent origin. They are not weighted by too many people pushing 65 years. Hence, contributions to these funds have been at a phenomenal rate. For example, the \$2.8-billion American Telephone & Telegraph pension fund is growing at the rate of about one-quarter billion dollars a year. Other giants in this area are the pension funds of General Electric, Shell, and Standard Oil of New Jersey. All are large bond buyers.

Recent weeks have been rather good ones for the bond markets. All through February and early in March, a good tone prevailed in tax-exempts. New issue business was at record levels. The secondary market also acted well. No congestion developed and it was a real improvement over the preceding month. At prevailing yields, tax-exempts had again become a good buy for many institutional investors.

There was some flow from stocks into bonds as investors shied away from stocks with low returns in terms of dividends.

What the long-term effect of higher short-term rates on the bond markets will be is a matter of conjecture. The prospect of additional Federal taxation seems to have brought more insurance company money in the sheltered tax-exempt field.

Mortgages

Mortgage departments of banks are becoming more important. Usually, there is a better yield here than in bonds and other securities. This yield is imperative in the large population centers where banks are actively competing for the savings dollar with savings and loan associations.

Also, private building and construction has been one of the strongest forces behind the recovery from the recession. From March 1958 to December, housing starts rose from 920,000 to 1,430,000 units a year,

for example. The last previous high was 1,486,000 in August 1950.

Insurance companies are, of course, active competitors in the mortgage field of commercial banks, savings banks, and savings and loan associations. And the Federal Government extends a helping hand through the Federal Housing Administration and the Veterans Administration.

There has long been a tendency to ask for "special treatment" for industries, groups or segments of people for "special reasons." Housing certainly is very important in the changing pattern of urban-suburban life. The point is that, to an increasing extent, the demand for mortgage money will be in competition for the investor's dollar with the Federal Government, with state and municipalities, with corporations, and with the new and young industries which make their appearance in the over-the-counter market.

Insiders Were Cautious; Misjudged Own Companies

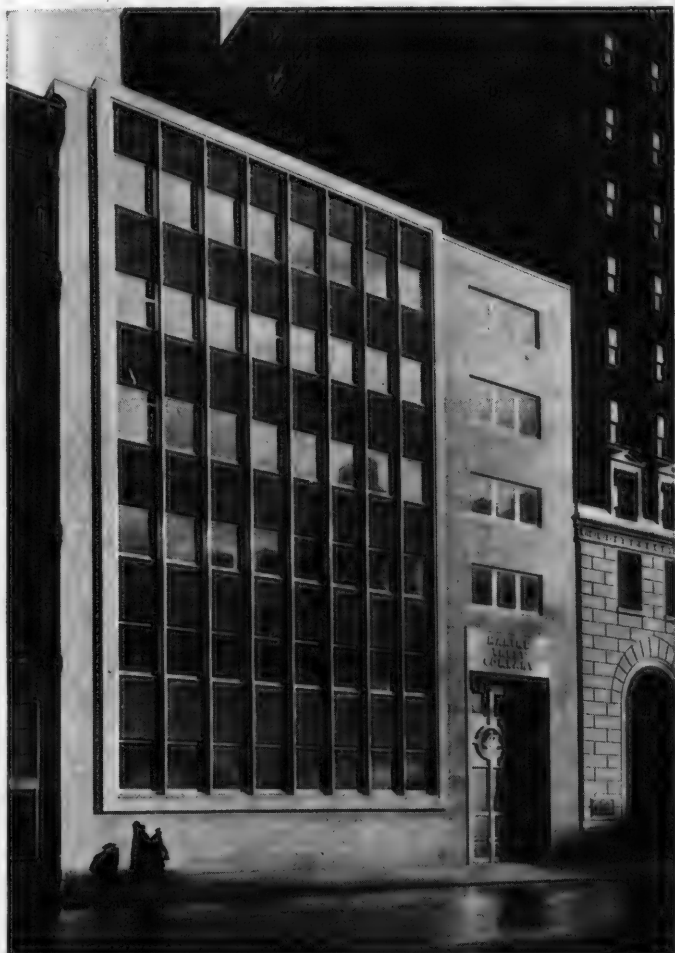
Reports which normally receive little attention are the securities transactions of leading stockholders of companies. Only transactions by individuals, mostly officers and directors, for their own account and for members of their immediate family, are involved.

We are indebted to *Barron's* for the latest in its regular series. Perhaps it suffices to quote just one paragraph and let the reader draw his or her own conclusions:

"Now that the final 1958 figures on insider trading have become available, one unmistakable trend stands out: most of the people who know their own companies best—the officers and directors of U. S. industry—badly misjudged the market. Throughout the year, while stock prices were advancing in general, they sold more of their own shares than they bought."

Bearishness, it seems, prevailed in no fewer than in 28 out of 35 industries surveyed.

The Marine Trust Company of Western New York uses many



The Marine Trust Company's new administration building in Buffalo.

The Marine Trust Company of Western New York with its sixty-two offices in Buffalo and the western part of the State of New York uses more than 300 Brandt Automatic Cashiers.

Their first Brandt was purchased in the year 1907 and machines have been added over the years as required by the growth of this large banking institution.

With the aid of Brandts, tellers of The Marine Trust Company provide customers with speedy, absolutely accurate coin paying service.

BRANDT AUTOMATIC CASHIERS

Below is a view of a section of the tellers' working area of the Depew, New York, office of The Marine Trust Company showing several Model 250 Brandt Automatic Cashiers (coin paying machines). Each machine is equipped with a chute down which coins are delivered, upon the depression of a key, into a cup from where they are readily removed by customers.



Cup, at end of delivery chute of Model 250 Brandt, located outside of counter barrier.

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MARGUERITE BECK of BANKING.

For space reasons, BANKING regrets that it must arbitrarily limit, in any one issue, the number of items used covering important personnel changes in the banks of the country. Many must be held over.

About People

ERNEST HACKNEY, vice-president, Fifth Third Union Trust Company of Cincinnati, Ohio, and **A.B.A.** vice-president for Ohio, becomes president, Dan Beard Council of Boy Scouts of America, governing 10 counties with a membership of over 35,000 boys.

GEORGE C. BENNETT, 55, assistant vice-president, Bankers Trust Company, and former chairman of the Insurance and Protective Committee of the A.B.A. (1948-50), died at his home in Plainfield, N. J., after a long illness.

J. D. CAMP, from president to board chairman and chief executive officer, Broward National Bank of

Fort Lauderdale, Fla.; ARTHUR W. SAARINEN, from executive vice-president to president; E. N. ORR, JR., assistant to president becomes vice-president; PAUL E. BASYE becomes assistant vice-president.

I. F. BETTS, president, American National Bank, Beaumont, Tex., announces his official candidacy for the post of American Bankers Association Treasurer, in response to widespread interest in his filling that post expressed by bankers from many states.

A picture and further information about MR. BETTS appeared in the January issue of BANKING.

ROBERTO DE JESUS TORO, from executive vice-president to president, Banco de Ponce, Puerto Rico, succeeding ARISTIDES F. ARMSTRONG, who becomes board chairman; MR. TORO has been president of the Puerto Rico Bankers Association, and is vice-chairman of Radio Corporation of Puerto Rico.

MR. ARMSTRONG, president of Banco de Ponce for 8 years, has been affiliated with that bank for 38 years.

ROBERT M. HANES, one of the country's most widely esteemed bankers and a former A.B.A. president, died in mid-March after a long illness. He was 68.

MR. HANES, at the time of his death was honorary board chairman of Wachovia Bank and Trust Company, Winston-Salem, N. C., had received just about every honor organized banking could bestow. Besides holding A.B.A. presidency in 1939-40, in 1945 he became president of the Association of Reserve City Bankers, and earlier had been president of the North Carolina Bankers Association. He had also served two terms in the North Carolina General Assembly and one term in the State Senate.

From *The Charlotte (N. C.) News*: "The name of ROBERT MARCH HANES will linger long in the memory of his beloved North Carolina. He gave more of himself to his state and its people than perhaps any business or professional leader of his time. He was, in a real sense, North Carolina's first citizen . . .

"North Carolina knew him first as a distinguished banker, as president and later honorary chairman of the Wachovia Bank and Trust Co. But his career and his record spanned many fields of endeavor. Business, government, education, and economic diplomacy were all among his deep interests. He served wherever and whenever duty called him, but he always returned to the state and the people he loved."

Ex-Congressman Gets 25-Year Club Award



C. R. MARTIN, *left*, director, Merchants National Bank and Trust Company, Dayton, Ohio, is shown presenting that bank's new 25-year club's first watch to ROY FITZGERALD. MR. FITZGERALD, a former U. S. Congressman from Ohio's 3rd district, and a prominent attorney, is head of the local historical society. He has been a Merchants National director for 48 years.

Others to become 25-year club members and receive watches were R. V. Fox, president; G. L. HAMMOND, senior vice-president; F. G. LAIRD, vice-president; GLADYS WHITE, secretary; CLARA FRICKE, savings teller; and GERTRUDE KREBS, safe deposit custodian.

L. O. IVEY, from vice-chairman to chairman of the board, Citizens National Trust and Savings Bank, Los Angeles, Calif., succeeding his brother, HERBERT D. IVEY, who retires as chairman but remains on the board.

JOHN A. MAYER, from executive vice-president to vice-president, Mellon National Bank and Trust Company, Pittsburgh, Pa., succeeding LAWRENCE N. MURRAY, who retires but continues as director.

(CONTINUED ON PAGE 29)

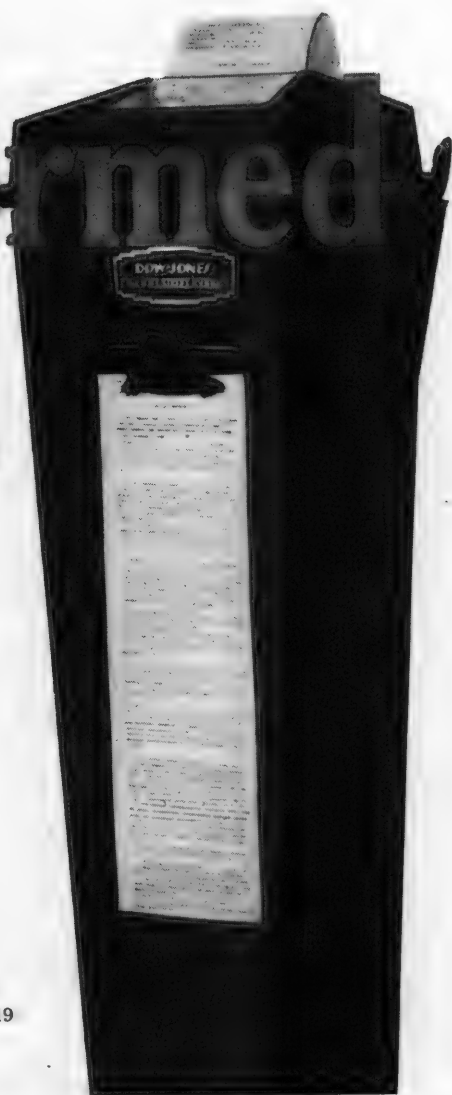
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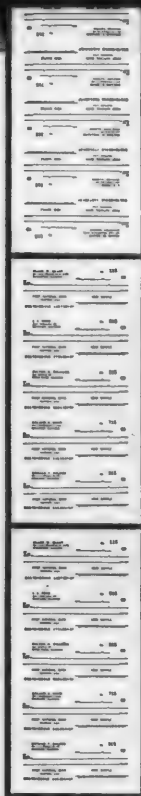
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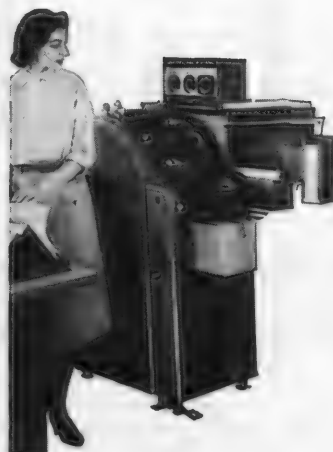
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Main Street (Continued)

FRED A. IRISH, 88, who was A.B.A. Treasurer in 1920-21, died in a Fargo, N. Dak., hospital last month. Mr. IRISH, honorary chairman of First National Bank of Fargo at the time of his death, had been chairman of the bank, a director of the United States Chamber of Commerce, and was an A.B.A. Agricultural Commission member for more than 20 years.

HARRY F. RICHARDS, chief examiner, Northwest Bancorporation, and former National Bank Examiner, becomes vice-president, First National Bank, Champaign, Ill.

HAROLD A. MOORE, senior vice-president, Chicago Title and Trust Company, retires after 28 years of service, but continues as director.

DR. L. EARL JAMES, O.D., becomes vice-president, Fidelity Bank, Los Angeles, Calif.; G. WESTON ROGERS, vice-president, joins executive committee.

TOM B. COUGHRAN, from assistant secretary of the Treasury and International Bank executive director to executive vice-president and senior executive officer in New York City for Bank of America (Int'l).

JOSEPH L. ROSENMILLER, from executive vice-president, York County (Pa.) National Bank, to president, National Bank of York County, newly formed by merger of York County National, Western National Bank of York, and Farmers and Merchants National Bank of Red Lion.

CARLETON T. CRABE, vice-president, National Bank and Trust Company of Fairfield County, Stamford, Conn., retires after nearly 48 years of service.

H. R. TEMPLETON, executive vice-president, Cleveland (Ohio) Trust Company, retires after 51 years of service.

First National Bank of San Antonio's new president is FRED LYBRAND, succeeding J. W. BERETTA who retires but remains on board.

HOMER J. LIVINGSTON, president, First National Bank of Chicago, has been elected president, Federal Advisory Council of the Federal Reserve System.

JOSEPH A. KAISER, president, Williamsburgh Savings Bank, Brooklyn, joins New York State Banking Board.

RALPH A. PIFARI, from assistant vice-president to vice-president, Bank of America, N.T. & S.A., San Francisco.

C. H. WINKEL, from assistant vice-president to vice-president, United States National Bank of Portland, Ore.

HOWARD J. JOHNSON, from assistant vice-president to vice-president and trust officer, American National Bank and Trust Company of Chicago, Ill.

GARRY STOLZBERG, IRVING HERBST, HERBERT D. BACKER, all become vice-presidents, Commercial Bank of North America, New York City.

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NABAC Conference Committeemen Confer



The National Association of Bank Auditors and Comptrollers' 24th Eastern Regional Conference is set for Miami Beach, April 26-29. Here, hard at work, are some of the chairmen: seated, left to right, Essie M. Cail, assistant cashier, Florida National Bank & Trust Co., Miami; J. C. McKee, Jr., auditor, First National Bank of Miami; Stewart I. Price, vice-president and comptroller, Hialeah-Miami Springs Bank; Evelyn Wirebaugh, auditor, Miami Beach First National Bank; Davis L. Statton, assistant vice-president, North Shore Bank, Miami Beach. Standing, left to right, are J. G. Gibbs, cashier, Community National Bank of Bal Harbour; W. E. Boyd, vice-president and cashier, Pan American Bank of Miami; Ray F. Basten, senior vice-president and comptroller, First National Bank of Miami; Elwood W. Switzer, auditor, Central Bank and Trust Company, Miami; Charles J. Hughes, comptroller, Metropolitan Bank of Miami; John W. Roberts, Jr., Auditor, Bank of South Miami

C. K. BELLOWS becomes director of public relations, Bank Building Corporation, St. Louis, Mo., succeeding D. E. MOSBY, who becomes advertising director and assistant to the president.

STANLEY VAN DEN HEUVEL, from assistant vice-president to secretary, The Hanover Bank, New York City, succeeding DWIGHT A. HORNE, who goes to the bank's London office as a vice-president.

WILLIAM R. BYRD, JR., from assistant vice-president to vice-president, Philadelphia National Bank.

JOHN H. HARDWICK, from vice-president to senior vice-president, Louisville (Ky.) Trust Company.

GEORGE H. BECHT becomes administrative vice-president and cashier, Franklin National Bank of Long Island, N. Y.; PATRICK J. CLIFFORD becomes senior vice-president.

JOSEPH P. WILLIAMS, from assistant vice-president to vice-president, Bank of America, San Francisco.

IRA S. PRUITT, from treasurer to vice-president, Bank of Delaware, Wilmington; THOMAS J. MCKINNON, from assistant vice-president to treasurer.

HARRY A. SHUFORD, from vice-president and general counsel to first vice-president, Federal Reserve Bank of Dallas, succeeding WILLIAM DOW GENTRY, who retires.

HERBERT C. HART, JR., W. ERNEST ALLEN, JR., both become vice-presidents at Barnett National Bank of Jacksonville, Fla.

JOEL F. GOULD, WESLEY G. SCHELKE both become vice-presidents, Seattle-First National Bank.

W. H. LEATHERWOOD, ROBERT H. STEWART, III, both vice-presidents, become senior vice-presidents, First National Bank in Dallas, Tex.

JAMES L. SIMMONS, cashier, also becomes vice-president, Farmers Bank of Blountsville, Tenn.

HARRY M. GRANT, from vice-president to president, First National Bank of Mankato, Minn., succeeding the late HARRY M. MACKENZIE.

WILLIAM S. FARMER, from vice-president to senior vice-president, First National Bank of Montgomery, Ala.; JOSEPH D. JOLLY, vice-president, from trust officer to senior trust officer; P. COLIN CAMPBELL, trust officer, also becomes vice-president.

O. D. OLSON, director of public relations, from assistant vice-president to vice-president, Exchange National Bank, Colorado Springs, Colo.

DAVID H. TUTTLE, from assistant vice-president to vice-president, First National Bank of Memphis, Tenn.

SPENCER N. SMILEY, JR., from assistant vice-president to vice-president, Crocker-Anglo National Bank, San Francisco, Calif.

RICHARD O. BAILY becomes director of public relations, Burroughs Corporation, Detroit, Mich.

(CONTINUED ON PAGE 132)

Banks Celebrate Oregon Centennial

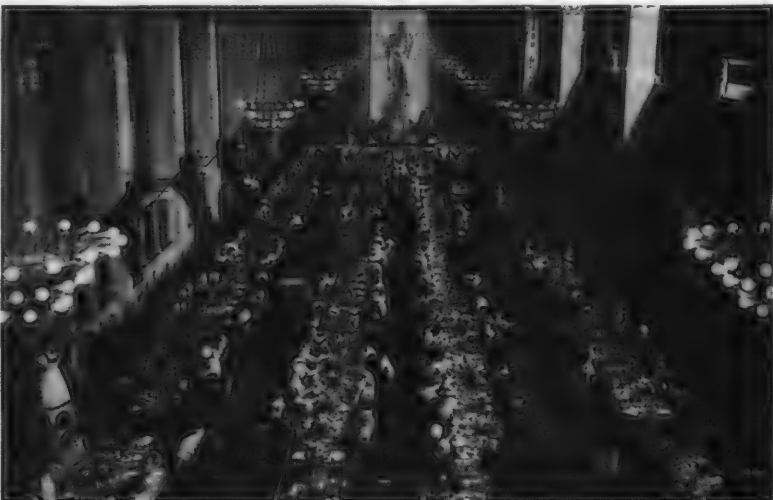
Oregon's 100 years of statehood sparked statewide celebration, and at least two banks that we know of joined right in.

U. S. National Bank in Portland turned its main office lobby into a banquet hall for the Oregon Statehood Banquet held in February. This was no simple feat. Long, elegantly appointed tables, myriads of spring flowers, blue and gold state flags, a 24-ft. high mural and a raised head table did the trick. The event was both broadcast and telecast.

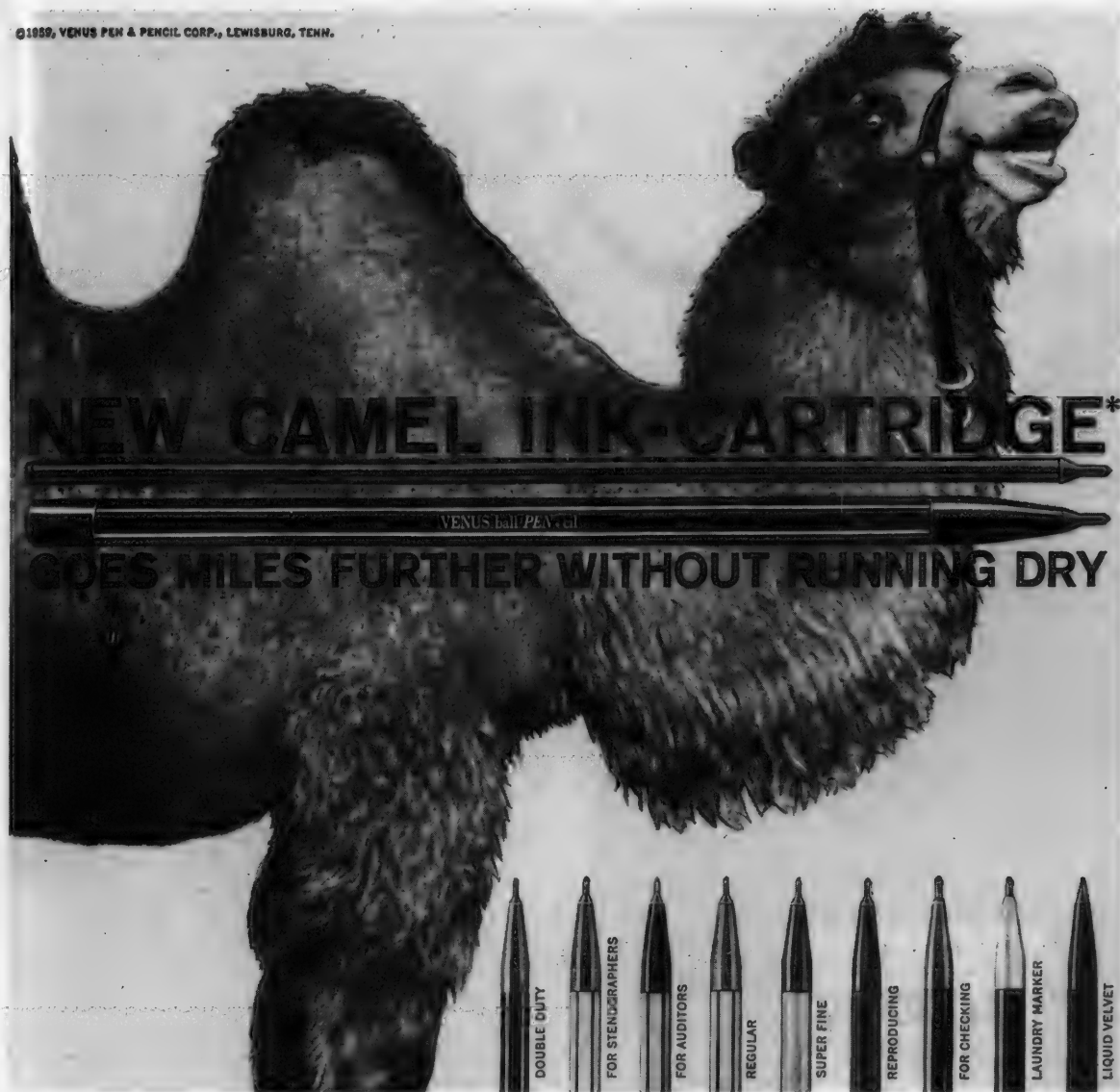
Oregon Mutual Bank, also in Portland, is extending its acknowledgment of this western state's 100 fruitful years throughout the year, by giving customers a bronze coin bank in the image of the bank's symbol, a covered wagon. A Centennial Exposition and World Trade Fair will be held in Portland June 10-September 17 and the coin banks are a promotion effort by Oregon Mutual in behalf of the Fair.



Oregon Mutual president, Harry Ragsdale, holds bronze coin bank given to customers this Centennial year



500 people listened to guest of honor Vice-president Richard Nixon at Statehood Banquet held in the U. S. National lobby



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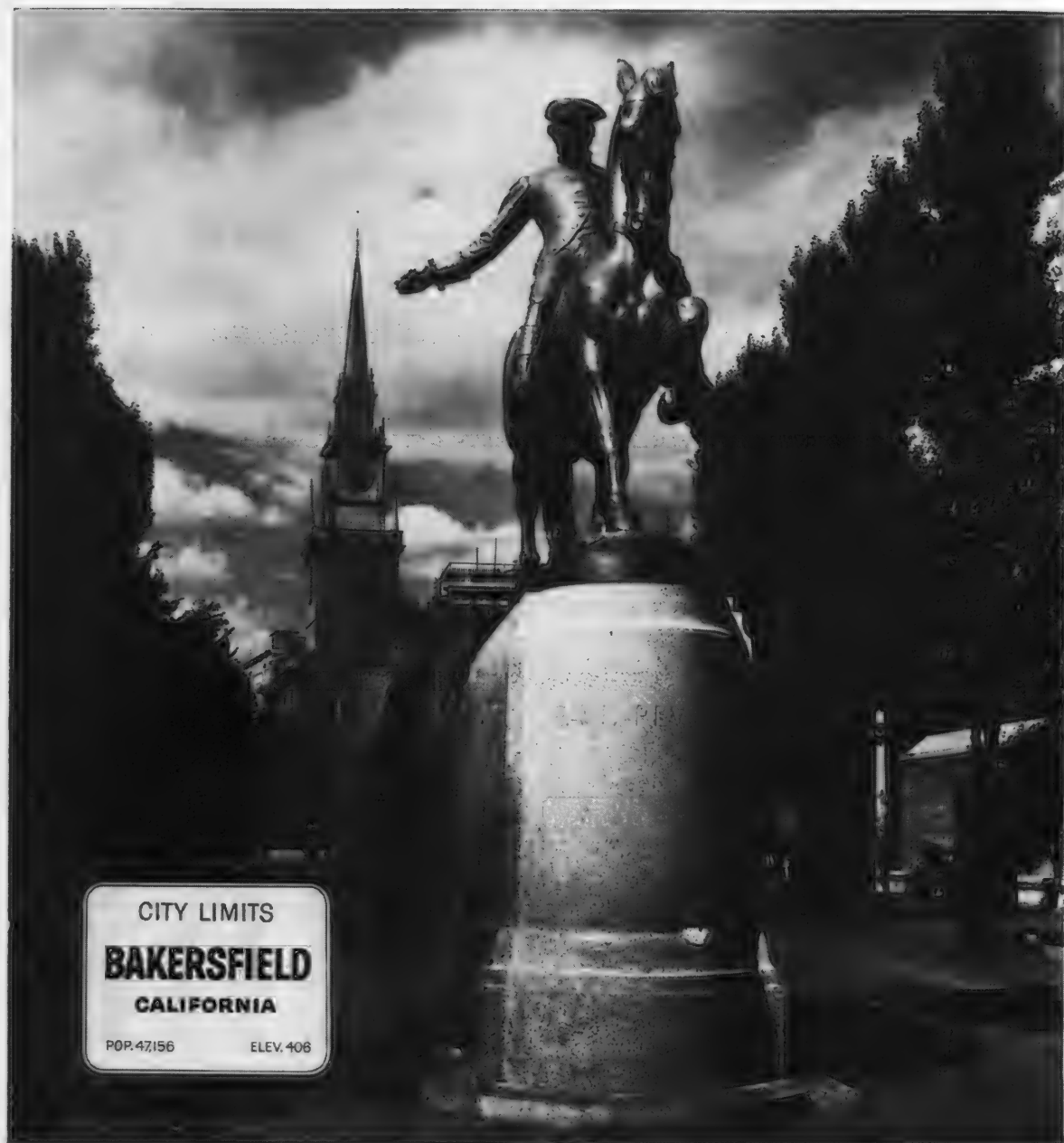
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The OUTLOOK and CONDITION OF BUSINESS

AT the bottom of the 1958 recession, in March of last year, forecasts were universally gloomy. BANKING said then that business was fundamentally much better than business sentiment. Now, the consensus is generally boomy, but BANKING sees no factor or combination of factors likely to turn this moderate and selective recovery into a boom.

Most of the economic and political news influencing the course of business in recent months was concerned in one way or another with inflation, labor, and communism. Most of the news affecting business in the months to come will carry these same familiar labels, but the contents will be different and changing with the speed of a nervous, home-made movie.

Inflation

The problem of a safe dollar will be aired thoroughly by a Cabinet Committee under Vice-president Nixon as chairman. The group has authority to investigate "those factors affecting the stability of costs and prices that will help prevent price increases."

Another sweeping inquiry into inflation, full employment, foreign aid, and related matters is being carried on by the Joint Economic Committee under Senator Douglas.

Still a third group, the Council of Economic Advisors, with Raymond J. Saulnier as chairman, will examine sources of inflationary pressures arising from the Government's own policies.

The new Federal Budget, after the tumult and shouting die, will probably show a deficit of around \$3-billion, being the difference between \$80-billion of expenditures and \$77-billion of revenue.

An important aspect of inflation concerns world trade. Evidence is clear that the United States is pricing itself out of foreign markets. The great U. S. auto industry is now fifth among exporters of motor vehicles: after West Germany, Britain, France, Italy.

Competitive pricing and costs of operation are largely responsible for this, although high foreign duties are also a factor. Ever higher wages, benefits, ever

shorter hours, could either kill the goose which has laid so many golden eggs, or make it moody and uninterested in egg-laying, like the railroads are now.

Other examples of what is happening to our position in world trade would fill many of these pages. George Champion, president of the Chase Manhattan Bank, recently spoke out factfully on this subject, emphasizing at one point what is happening in agriculture.

"It is fast becoming a habit in our country," he said, "to regard Washington as a highly convenient storm cellar. . . . Unfortunately this is too often true of business as well as other groups, with subsidies flowing to such diverse fields as housing, shipping, aviation, and now to the whole area of small business.

"But probably no area receives such a heavy subsidy today as does agriculture. Almost one-fifth of all cash income for farming (close to \$7-billion) flows from the Federal Government. Moreover, this farm subsidy has a double meaning in terms of our international position. Not only is it a major contributor to the unbalanced budget, and hence to the concern about inflation, but it also acts to price us directly out of important world markets. . . .

"I'm completely convinced that if farming were permitted to develop unhindered in America we could produce many staples here more cheaply than anywhere else, and all to the benefit of peoples everywhere."

A popular theme for speakers and writers today is some angle on, "Do something about inflation! Don't just stand there!" But usually the echo answers, "What?" At least one leading industry is striving concretely for more public understanding of inflation by spending money to advertise simple messages on the subject.

Under a picture of a postage stamp which once cost 20-billion marks in Germany, a recent ad by Warner and Swasey, precision machine makers of Cleveland, Ohio, said in part:

(CONTINUED ON PAGE 142)

The Trend in Bank Mergers

A Baker's Dozen of "Whys," and a Look at "Where To"

HERBERT BRATTER

THE financial news in recent months has been featured by bank mergers—using the term in its broadest connotation—and criticism thereof on the part of members of Congress and others. Mergers of one type or another have been characteristic of postwar banking across the country, except where branch banking is prohibited. The map on page 36 shows where such restrictions exist.

Where bank mergers or merger plans have involved big banks they have been the very special "cynosure of neighboring eyes," for, ever since the Sherman Act of 1890 and earlier, economic bigness and the crushing of competition by monopolies has been greatly feared in this country. Moreover, American banking has a long tradition of local unit institutions. Yet, as the national economy has expanded, *ipso facto* business, industry, and banking have grown bigger and bigger, and there is no sign that the process is nearing an end. The growth in the number and size of banking customers and of their corresponding demand for banking services has exerted strong pressure on banks to meet that demand through the expansion of their resources—branching, merger, consolidation, asset acquisition involving other banks, and in other ways. Bank holding companies have been resorted to, where other methods seemed less suitable or impossible. And throughout this period competition from nonbank lenders has acted as a spur to the bank merger movement.

Two Decades of Changes

What has been happening to the banking system during the last two decades may be seen in the accompanying table compiled by the FDIC, "Two Decades of Banking Changes." The table shows the changes in the

numbers of commercial banks and of banking offices at 10-year intervals since 1938.

During the past 20 years the number of banks in the United States declined from 14,703 to 13,540, but the number of banking offices increased from 18,220 to 22,608. This increase reflected an expansion in the number of branches from 3,517 to 9,068. It will be noted that most of the changes occurred during the past decade.

More than twice as many commercial banks operate branches today as compared with 1938. In the latter year 939 banks had branch offices; at the end of 1958, however, 2,112 operated branches.

In the table the two lower columns measure the changes during each of the last two decades separately. Whereas the number of banking offices closed was 151 fewer during the second decade than during the period 1938-1948, the shrinkage was much more than offset by the increase in the number of offices opened. During the first 10 years 2,408 new banking offices were opened; and during the next decade, 5,781 offices, or almost twice as many.

Fewer Offices Closed After '48

Absorbed banks converted into branches as a result of mergers totaled 392 during the first decade and 1,194 during the next. Absorbed banks which did not become branches of the absorbing institution but were closed after the merger numbered 459 during the 1938-1948 decade and only 206 during the following 10 years. Moreover, 644 branch offices were discontinued for one reason or another during 1938-1948 and 303 more during the period 1948-1958. It is obvious that during the period of most bank mergers, the second of the two decades here under re-

view, less than half as many banking offices were closed as during the first decade.

From 1938 to 1958 there were 2,251 banks absorbed by other banks. Of this total, 851 absorptions occurred from 1938 to 1948 and 1,400 during the next decade.

A variety of factors have played a part in the bank merger trend of recent years. In the case of any given merger a combination of considerations is likely to be present. While the reasons may be generalized to some extent, as pointed out by the Comptroller of the Currency, it is sometimes not possible to apply general reasons, particularly where very large banks are the principals.

Smaller Banks' Reasons

Eight reasons which impel smaller banks toward merger are:

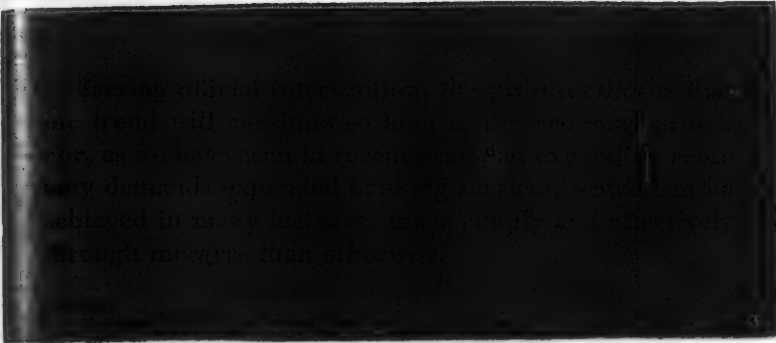
(1) *Top management problems.* These arise out of advancing age of officers and lack of adequate succession in the bank's personnel, or simply from their wish to retire.

(2) *The offering by another institution of merger terms too good to be turned down.* The stock of many small banks has a limited market at less than book value, due to low dividend yields reflecting retained earnings. Terms equal to book value or to fair value plus a premium may therefore be persuasive.

(3) *Strengthening competitive ability.* Smaller banks sometimes merge to compete more effectively with larger banks in the locality.

(4) *Giving up the race.* Some unaggressive banks trailing their competitors in growth, earnings, and service see in merger a way out.

(5) *Inability to meet growing borrowing needs of the community.* By becoming part of a larger institution, this inability may be overcome.



(6) *Loss of large customers.* In communities where local business or industrial firms have been sold to large companies, local banks may tend to lose some of their banking business. By merging with larger banks, the local banks can regain such business.

(7) *Fringe benefits.* By merging with a larger bank, officers and employees tend to obtain fringe welfare benefits and higher compensation, a consideration which causes officers to back many mergers.

(8) *Compelling circumstances.* Banks which have developed problems in their assets sometimes find it desirable to accept absorption by a stronger bank. In recent years there have been relatively few such instances.

Continuing Banks' Reasons

From the viewpoint of the continuing or absorbing bank, additional reasons are usually present in the cases of mergers, consolidations, and acquisition of assets. Five such reasons are:

(1) *Additional offices.* It is often desired to obtain banking offices in areas not presently being served by the continuing bank so as to expand the latter's clientele.

(2) *Following the customers.* With the postwar population movement to city suburbs and with decentralization of industry and business, many banks have sought additional offices, through mergers, the better to serve their old customers as well as new ones.

(3) *Larger lending limits.* With general economic growth, there has been a demand for larger-size loans, prompting many banks to expand their loan limits by merging with other banks.

(4) *Competition.* In any community served by more than one bank the urge to excel in size, ser-

vice, and prestige is a powerful stimulant to bank merger.

(5) *Stockholders.* The responsibility of management to produce maximum earnings for stockholders is always a consideration in bank mergers.

According to the recent New York University study, *The Bank Holding Company*, one reason for the per-

sistent decline in the number of unit banks has been the sharp rise in bank operating costs due to inflation and general prosperity, whereas banks have been unable to raise their charges correspondingly. The validity of this reason is questioned in some quarters. Thus in 1955 the Comptroller of the Currency reported:

It is not our belief that rising costs and inferior earnings are the principal cause of the current trend of bank mergers, or that this has been a major contributing factor. It is necessary to go back to the 1920s to find better earnings per thousand dollars of resources than banks generally have enjoyed during recent years.

Since a merger makes a bigger bank, its occurrence tends to cause other banks in a community to consider merging so as to maintain their relative positions. Economic reasons

Two Decades of Banking Changes

CHANGES IN NUMBER OF OFFICES OPERATED BY COMMERCIAL BANKS, UNITED STATES (CONTINENTAL U. S. AND OTHER AREAS), 1938, 1948, 1958

	Dec. 31, 1938	Dec. 31, 1948	Dec. 31, 1958
Banking offices.....	18,220	18,652	22,608
Banks.....	14,703	14,221	13,540
Banks not operating branches..	15,764	13,044	11,428
Banks operating branches.....	939	1,177	2,112
Branches.....	3,517	4,431	9,068
	Change from 1938 to 1948	Change from 1948 to 1958	
Offices opened ¹	2,408	5,781	
Banks.....	850	841	
Branches.....	1,558	4,940	
Succeeding absorbed banks.....	392	1,194	
New branches ²	1,166	3,746	
Offices closed ³	1,976	1,885	
Banks.....	1,332	1,522	
Liquidated or suspended ⁴	481	122	
Absorbed by another bank.....	851	1,400	
Succeeded by branches.....	392	1,194	
Not succeeded by branches.....	459	206	
Branches discontinued.....	644	303	

¹ Includes changes from banks to branches or from branches to banks, and a few cases of previously existing institutions taken into tabulations.

² Includes a few cases of branches established at places at which a bank had recently been liquidated, suspended, or removed, or a branch of another bank had been discontinued or removed; in 1950 six branches in the possessions formerly classified in the statistics as "banks" were reclassified as "branches"; includes nine mutual savings banks and branches absorbed by a commercial bank.

³ Includes changes from banks to branches or from branches to banks, and a few cases of institutions taken out of tabulations.

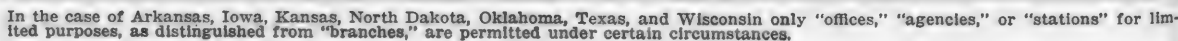
⁴ Includes six banking offices in the possessions formerly tabulated as banks that were reclassified in 1950 as branches (see note 2).

Source of data: Annual Reports of the Federal Deposit Insurance Corporation, 1938-1957 (see, for example, Table 101 in the 1957 report, pp. 84-85), with the sub-item of banks absorbed not succeeded by branches derived as a residual. The 1958 data have not yet been published by FDIC but are to appear in the 1958 annual report.

Recently merger discussions between Bankers Trust and Manufacturers Trust were held, then dropped; Guaranty Trust and J. P.

Thus, the merger trend in New York City derives some of its momentum from the growth of distant California institutions as well as the flourishing business of other lenders closer to home.

(CONTINUED ON PAGE 118)



Washington

THOMAS W. MILES

Reserve Requirements Bank Merger Legislation Economic Study

THE legislative conveyor-belt has picked up and is moving along a number of bills of direct interest to bankers. With the multiple-bill approach, some of the legislation needed by the industry to meet modern banking problems should come off the assembly line as law. The new approach is in marked contrast to that in the 85th Congress, when the comprehensive single-packaged Financial Institutions Bill failed to pass.

"Vault Cash" Bill

At this writing Representative Paul Brown of Georgia has announced that he will hold hearings of his Subcommittee 2 of the House Banking and Currency Committee on member bank reserve requirements, sometimes called the "vault cash" bill. He is also expected to introduce a number of other bills calling for many of the specific changes in the National Bank Act that were incorporated in the Financial Institutions Bill, including cumulative voting.

Under the Federal Reserve Act, member banks are required to maintain reserves amounting to certain percentages of their net demand deposits. The requirements currently are 18% for central reserve city banks, 16½% for reserve city banks, and 11% for all other banks. Reserves of 6% against time deposits are required of all member banks. These reserves are kept on deposit with the Federal Reserve bank.

Banks are not allowed to count cash in their vaults toward meeting their reserve requirements.

What It Would Do

Mr. Brown believes this is inequitable because operating conditions force some banks, particularly country banks, to keep larger amounts of cash on hand than other banks do. His bill (H. R. 5237) would allow the Federal Reserve Board to establish reserve requirements from time to time with maximum and minimum limits described in the act. Discretion in putting the change into effect would be allowed the Fed to avoid a possible inflationary effect of an immediate change.

Whereas the act fixes a floor of 13% and a ceiling of 26% for central reserve city banks, Mr. Brown's

bill would change these limits to 10% and 20%, the same as apply to reserve city banks. He would also give the Fed wider discretion in allowing banks in central reserve cities or reserve cities to maintain the lower reserves in effect for reserve city banks or country banks where the character of the banks' business warrants such an adjustment.

Mr. Brown's bill incorporates the Fed's own thinking in the matter and has the support of the A.B.A. In the flurry of criticism that occurred in certain quarters in Congress of the Fed's action March 5 in raising the rediscount rate from 2.5% to 3% there was talk here in Washington about opposition to this proposal rising as a result. But there are always repercussions in Congress to whatever the Reserve Board does with the rediscount rate. How sustained the criticism will be remains to be seen.

The proposal has strong support in the Senate, also, where Chairman A. Willis Robertson of Virginia, chairman of the Senate Banking and Currency Committee, and two of his committee colleagues, Senators J. W.

"Governments" Market Study

A NUMBER of banks, along with other participants in the Government securities market, will receive questionnaires from the Treasury Department which is making a study jointly with the Federal Reserve System. The study is seeking further data and information in connection with the Government securities market, centering on market developments of last summer.

The study was sparked by the slump in the Government securities market although preliminary studies were started earlier last year. Treasury is reported to be anxious to avoid asking for legislation that would set up any sort of Federal policing of the Government securities market. The possibility of putting up margin requirements governing the amount of cash a borrower must put up on bond purchases is an area of study. Treasury is taking precautions that the slump will not occur again.



AUTHENTICATED NEWS

Victor Harris, manager of the tax department of Schenley Industries, Inc., looking over some of the 37,495 Federal, state and local tax returns filed by his company last year. Mr. Harris figures the average at about 150 returns for each working day. House Ways and Means Chairman Mills has urged certain revisions of the complex Federal tax machinery. He would broaden the tax base

poses of the Federal Deposit Insurance Act.

"In addition, the responsible banking authority would be specifically required to consider whether the effect of the acquisition might be to lessen competition unduly or to tend unduly to create a monopoly. The banking authority would be required to consult with each of the other banking authorities, in the interests of uniform standards, and it would be authorized to request the opinion of the Attorney General with respect to the application."

Noting that the Anti-Trust Division of the Justice Department would subject bank mergers by acquisition of assets to the provisions of the Clayton Act applicable to mergers of ordinary business corporations where unrestricted competition is the rule, Senator Robertson commented: "Unrestricted competition, however, has not been the rule in the banking industry for many years."

It is impossible, he said, to subject banks to the rules applicable to ordinary industrial and commercial concerns not subject to regulation and not vested with a public interest.

Premerger Notification

But even before the Senate Banking Committee started consideration of bank mergers, the Anti-Trust and Monopoly Subcommittee of the Senate Judiciary Committee was working on a premerger notification bill (S. 442). This exempted banks but not bank holding companies.

The subcommittee reported the bill to the full committee February 9. But apparently the Judiciary Committee wanted a little more consideration given to it and so returned the bill March 2. Hearings were held March 5, at which Joseph H. Colman, president of the First Bank Stock Corporation of Minneapolis, appeared as president of the Association of Registered Bank Holding Companies. The association set up an office in Washington only last fall with Donald L. Rogers as executive director.

Mr. Colman contended that the proposal ignored the fact that Congress has already enacted legislation to require advance approval of stock and asset acquisitions by bank holding companies. He pointed out that Section 3(a) of the Bank Holding Company Act of 1956 requires prior approval of the Federal Reserve

Fulbright of Arkansas and Homer E. Capehart of Indiana, introduced a similar bill (S. 1120) on February 19. It was accompanied by a clear and cogent explanation in *The Congressional Record*. The Senate Committee was scheduled to complete hearings March 25.

Bank Merger Measure

First on the agenda of the Senate Banking Committee hearings just before the Easter recess was the bank merger bill (S. 1062) which was introduced by the same important and powerful team mentioned above in connection with the reserves bill; namely, Senators Robertson, Fulbright, and Capehart.

In a statement introducing the measure, Senator Robertson described it as "a bill to authorize the national banking agencies to regulate bank mergers on the basis of uniform standards involving both banking and competitive factors." He added: "It would prevent bank mergers which might lessen competition unduly or tend unduly to create a monopoly in the field of banking."

Pointing out that the bill is the same as that passed by the Senate July 25, 1956, and again as section 23 of Title III of the Financial Institutions Act, March 21, 1957, Senator Robertson declared S. 1062 has the support of the Treasury Department.

Under the Robertson bill favorable action on mergers by the state supervisor would be subject to review by the Federal Reserve Board in the case of a state member bank and by the Federal Deposit Insurance Corporation in the case of a state nonmember insured bank.

In the discussion of his bill Senator Robertson said:

"My bill replaces these complicated provisions by a simple rule. Every bank insured by the FDIC would have to get advance approval before it could acquire the assets of another bank by merger, consolidation, or absorption through the purchase of assets and assumption of liabilities. This consent would be obtained from the appropriate banking agency—the Comptroller of the Currency for national banks, the Federal Reserve Board for state member banks, and the FDIC for state nonmember banks.

"In passing on these applications, the banking agency would consider the banking factors specified in Section 6 of the Federal Deposit Insurance Act—the financial history and condition of the bank, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served by the bank, and whether or not its corporate powers are consistent with the pur-

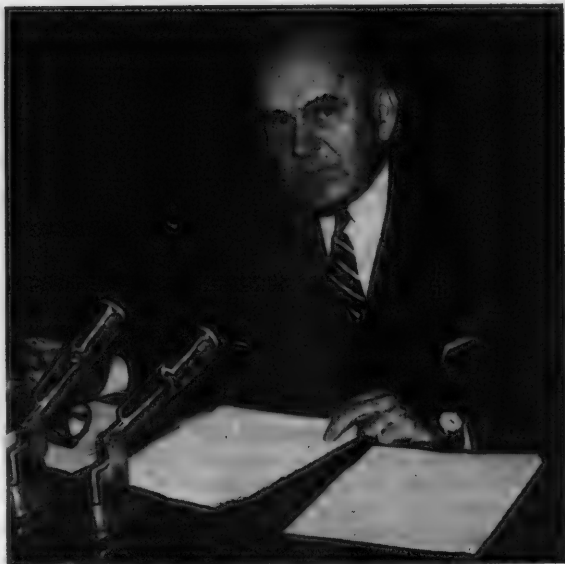
Board before a bank holding company can acquire more than 5% of the voting shares of a bank or all, or substantially all, of the assets of a bank. He held that the bill would be "almost meaningless insofar as the Board is concerned."

At the hearing it developed in the questioning of Mr. Colman by Donald McHugh, committee counsel, that the bill may be amended to exempt asset acquisitions by bank holding companies. Further developments were not available at this writing.

In the report of the Joint Economic Committee on the Economic Report of the President there is a recommendation that "bank mergers should also be made subject to regulation by the antitrust agencies." Then almost directly below is this significant disclaimer in behalf of Senator Fulbright:

"As a result of the unusual burden of work occasioned by this change in status (from chairman of the Senate Banking Committee to chairman of the Foreign Relations Committee), Senator Fulbright was unable to participate in the hearings or committee meetings on this report. For that reason, the findings

John J. McCloy, chairman, The Chase Manhattan Bank, New York, testified before a Congressional group on behalf of the A.B.A. in favor of increasing U.S. participation in the International Monetary Fund and the World Bank



REUTERS

and conclusions herein set forth are neither approved nor disapproved by him."

It was Senator Fulbright who called the attention of the Senate Judiciary Committee last year to the fact that the Senate Banking Committee, of which he was then chairman, was considering the regulation

of bank mergers as a matter within its proper jurisdiction as part of the Financial Institutions Bill. The Judiciary Committee deferred to the Banking Committee by exempting banks.

Senator Fulbright's action saved the banks from the threat of the supervision of the Justice Department being added to that of the three regular bank supervising agencies. For that reason it could not be expected that he would have gone along with the Joint Economic Committee in urging that banks be subjected to the antitrust agencies.

This year the service to banking was provided by Senator Robertson. On February 17 he wrote to Senator James Eastland of Mississippi, chairman of the Judiciary Committee, advising him that the Banking Committee "reserves jurisdiction over the subject matter of bank mergers." The very next day Senator Eastland replied that when the premerger notification bill (S. 442) was reported earlier (February 9), it exempted banks. It would not appear likely that it would be put back this session at least.

The Economic Report

The Joint Economic Committee's report on the Economic Report of the President's Council of Economic Advisors, mentioned above, was released March 9. Its effect was anticlimactic, much of its contents having been made known almost a week earlier.

(CONTINUED ON PAGE 112)

Figures Can Be Misleading

At the Illinois Bankers Association dinner in Washington on February 4, James F. Stiles Jr., assistant to the Secretary of the Treasury and national director of the U. S. Savings Bond Division, was being ribbed by one of the guests from Capitol Hill about being unfortunate in "heading up an operation which is in the process of liquidation."

It's quite the reverse, of course. The Savings Bond program is growing—it increased \$1,011,000,000 last year. But the incident gave Mr. Stiles a wonderful opportunity to show how figures can be misleading.

Until recently the *Daily Statement of the U. S. Treasury* lumped together in two figures all Savings Bond sales and all Savings Bond redemptions. Redemptions were always more than sales. It looked as if the program were going backward.

Mr. Stiles was bothered by that when he came to take service in the Treasury after retiring as chairman of the board of Abbott Laboratories in Chicago. He found out that in total redemptions the Treasury was reporting all of the accrued interest that the Savings Bonds, including discontinued issues, had earned.

Accordingly he suggested that the reporting of these figures be changed so that E and H bonds, the only series now being shown, be shown separately in the *Daily Treasury Statement*. This was done, and it is generally agreed that it presents a more accurate picture.

For the calendar year 1958 sales at issue amounted to \$4,689,000,000, and accrued interest to \$1,178,000,000, for the holders of E bonds previously purchased, making a total of \$5,867,000,000. The redemption figures consisted of \$4,215,000, at cost price, plus \$641,000,000 accumulated interest, for a total of \$4,856,000,000. Redemptions subtracted from sales gives the figure of \$1,011,000,000 as the amount of increase in outstanding E and H bonds. The cash value of E and H bonds outstanding last year was \$42,589,000,000, funding roughly 15% of the national debt.

Tailoring Banks' Annual Reports

MR. HILL is a partner in the accounting firm of Price Waterhouse & Co.

He is an alumnus of Brown University and of the University of Pennsylvania. He is a certified public accountant in several states and a member of the American Institute of Accountants and the New York State Society of Certified Public Accountants. In the former organization he is a member of the special committee recently appointed to study the question of statistical sampling in auditing. In the New York State Society of CPAs he is a member of the Committee on Co-

operation with Bankers. In the past year or two he has addressed the Eastern Regional Convention of the National Association of Bank Auditors and Comptrollers and various local meetings in the same field. He has written articles for several publications and at present is a member of the editorial board of the "What to Read" department of The Journal of Accountancy.

A second part of MR. HILL's study will deal with a suggested statement of condition and statement of income designed by the author to carry out the suggestions made in the article below.

HENRY P. HILL

statements anything except the net amount of the banking house and other capital assets.

Third, banks do not follow acceptable methods of depreciating capital assets to charge the cost of these assets systematically to the operations of the periods covered by their useful lives. Instead, many banks have written off capital assets with an eye to the year's profits and have varied the write-offs with the profits. In some cases these write-offs have been charged to the undivided profits account, with the result that both the statement of condition and the statement of earnings are incorrect.

Fourth, bank accounting is characterized by an extreme conservatism. Every opportunity to write down assets is availed of, and, in addition, many reserves are provided that cannot be related to the assets. Unallocated reserves for security and loan losses are cases in point, as are the treatment of capital assets and security premiums and discounts mentioned elsewhere in this article.

Fifth, only in unusual cases is it possible to derive from a bank's annual report an analysis of the movement in the reserves during the period. Many times through these reserves it is possible to provide in good times for losses that may come in less favorable times. The losses, however, never appear in the earnings statement and thus escape the notice of the average reader, and the provisions being made out of undivided profits likewise never appear in the earnings statement.

Sixth, the determination of interest from and profits and losses on sales of investments in securities is unrealistic. Many times the earnings statement shows as interest earned the coupon rate of interest paid by the issuer rather than the interest earned by the bank on its investment. Since the price paid for

SOMETHING is wrong with published financial statements of banks. This is a recurring theme in the writing of both accountants and bankers. In late 1957, for example, the accounting profession, through its magazine, was addressed by a bank president on the failure of banks as an industry to adopt uniform accounting principles in their financial reports to the public. In September 1958 a special committee of the Connecticut Bankers Association issued a report entitled "Suggestions for Uniform Financial Reporting by Banks."

This preoccupation with lack of uniformity is not a new thing. In 1952 a committee of the National Federation of Financial Analysts Societies reviewed the annual reports of 28 of the largest banks in the country and reported that "the variations in content of the reports are so broad as to make one wonder how there could be so many varieties of reporting to stockholders."

In the face of this kind of criticism, banks in recent years, particularly the large publicly owned banks, have made considerable improvements in their annual reports. The improvements, however, seem to have been in the direction of more

complete disclosure instead of toward more widely accepted accounting principles. From the standpoint of the owners of the banks the average report is still not good.

Most Common Criticisms

What precisely are the criticisms usually made of the financial reporting of banks? Perhaps the most fundamental one is that the majority of banks do not clearly identify the amount of net income for the year. Many smaller banks, in fact, do not even include in their published figures a statement of earnings. Large or small, those that do publish such a statement often include entries in the undivided profits account which by their nature should be included in the determination of net income.

Second, banks often do not describe the basis on which assets are stated nor the amount and character of related reserves. In an industrial company, for example, it is considered important that the gross cost of the capital assets be shown and that the amount of depreciation taken so far be deducted from this figure to arrive at the net undepreciated amount carried forward to the next period. It is a rare bank, however, that shows in its financial

for Both Depositors and Stockholders

The Average Report Lacks Information the Bank's Owners Should Have, Says This CPA

the type of security generally held by banks is determined by the market rate of interest, and the coupon rate which was fixed when the securities were issued is merely one of the elements in determining this price, there is serious doubt that the resulting figures can have any use whatever to the person attempting to analyze the bank's income.

Interests of Different Parties

The general tone of bank accounting seems to result from the history of banking in the United States, which years ago was punctuated with panics and bank failures. Even today in a sound bank the ratio of the bank's investment to depositors' funds is small, and in the more liberal climate of past decades it might have been even smaller. Banks' depositors were poorly protected and bank failures had social as well as economic effects upon a group of people who outnumbered by far the banks' owners.

It was, and is, socially desirable, therefore, that the accounting and reporting practices of banks be designed to inform and protect the depositors of the bank. In this respect, banks differ from industrial organizations, where the primary objective of the reporting is to apprise the owners regarding their financial condition and achievements. This social aspect of bank reporting has produced the kind of thinking characterized earlier as conservative. Actually, as accountants have

said many times, what is conservative in one fiscal period will usually turn out to be overly liberal in a succeeding period. An unjustifiably high depreciation rate, for example, will understate income in the earlier years when the capital assets are being depreciated and will overstate the income when those assets become fully depreciated but are still in use. The result is that over a long period, instead of achieving conservatism, banks' statements of income have achieved a high degree of distortion.

It is not desirable, however, that the interest of the investors be overlooked. True, the depositors of the banks still outnumber the owners in number and in amount of investment, and their financial interest in

the bank should be clearly stated. On the other hand, the owners of banks, particularly the larger publicly held banks in the metropolitan centers, constitute an important and growing segment of the financial community. As the number of stockholders in these banks gets larger it becomes more and more important that shareholders' earnings and shareholders' equity be fairly reported. For example, there are reported to be at least 14 banks in the United States with more than 10,000 shareholders each.

The Accountant's View

Accountants, particularly professional accountants who may deal more with commercial and industrial organizations than with banks, are apt to overlook the fact that there are these two groups with an interest in the financial condition of a bank and that the interests of these two groups are not the same. Thus, professional accountants may attempt to apply commercial and industrial rules to bank accounting. Bankers, on the other hand, having been schooled in the requirements and conservative thinking of the regulatory authorities, conditioned by years of experience with the present form of bank reporting, and desirous of eliminating differences between book and tax income because of the special rules of the Internal Revenue Code, are inclined to reject the views of the professional accountants as being primarily designed for someone else. They disregard the fact that the principles of income determination

(CONTINUED ON PAGE 126)

Another CPA Heard From . . .

THE need for improvement in internal and external reporting practices of mutual savings banks was recently stressed by Stanley E. Shirk, partner in the independent public accounting firm of Peat, Marwick, Mitchell & Co. Mr. Shirk addressed the annual conference on operations, audit and control, sponsored by the National Association of Mutual Savings Banks.

In discussing the existing practices of savings banks in publishing reports for public consumption, Mr. Shirk concluded that the information presently being made available is inadequate. He stressed the need for statements of earnings, changes in the surplus fund, and reserves. In discussing the problem of published reports, Mr. Shirk recognized the difference between a stockholder relationship and that of the depositor in a mutual savings bank, the cost factor involved, the problems of determining the most suitable distribution, and the fact that once having established a report pattern, adverse events would have to be revealed along with the salutary ones.

FRB Survey Shows That **Consumers Are Optimistic**

THE preliminary findings of the 1959 survey of consumer finances, made for the Federal Reserve Board by the Survey Research Center of the University of Michigan, is characterized by greater confidence than was shown in the 1958 survey. The findings are based on a sample of some 2,550 interviews in 66 sampling areas scattered across the country and date from January and February. Since errors are to be expected in any sampling operation, small differences from year to year are not regarded as of undue importance.

The survey solicited information on consumers' financial positions, their appraisal of their own and the general economic outlook, and their intentions regarding purchase of durable goods and houses during 1959. The results of the survey were summed up in a series of tables released by the Federal Reserve Board in March. The tables include responses of interviewees to the same series of questions in each of the past dozen years. The findings of this year's survey as compared with that of 1958 we summarize below.

Evaluating their own financial situation this year, 38% of the consumers interviewed reported that they were better off than a year ago. In 1958 only 32% so reported. In 1959, 34% report no change, while a year earlier 36% reported no change.

Income Compared

Asked about their incomes, 40% this year report that they are making more than in 1958. A year earlier, during the 1957-58 recession, only 36% were receiving better incomes than in 1957. While none of the consumers interviewed in 1959 was interviewed by the Survey Research Center in 1958, the sampling method is such that the results would be no different even if the same persons had been interviewed, the Federal Reserve statisticians believe.

While the proportion of consumers whose incomes are better than a year earlier has increased by 4 percentage points, the proportion reporting their incomes as unchanged during the year, 36%, is the same as so reported a year earlier. However, 22% said they have smaller incomes now than in early 1958. During the 1958 survey 26% reported their incomes to be smaller than in 1957. This comparison, also, shows an increase of 4 percentage points.

Savings

This year, as in 1957 and 1958, about 40% of consumers report themselves as having incomes—per consumer unit—of \$5,000 or more, according to the survey. Likewise, in all three years about three-fourths of consumers have held some liquid savings. The latter include Savings Bonds, bank accounts, savings and loan shares, and credit union accounts. However, possibly as a result of the recession, the proportion of interviewees holding small liquid savings of up to \$200 increased from 17% in 1958 to 19% in 1959, whereas there was a small decline in the proportion holding such savings of from \$1,000 to \$5,000. Two percent of consumers dropped out of the \$1,000-to-\$5,000 group during the twelvemonth.

Optimism as to personal incomes and the general economic outlook was quite noticeably better in early 1959 than in early 1958. Whereas last year only 37% of consumers expected to have more income by this time, in January-February 1959, 42% revealed that they expect to be making more by early 1960. Doubtless wage-escalator clauses in union contracts and the prevailing public expectation of a resumption of the wage-price spiral are factors in this optimism. A year ago 11% of those interviewed expected that their earnings would decline during 1958; but this year only 7% are in this group.

Underlying personal income ex-

pectations is a markedly greater consumer confidence in the nation's economic recovery. Questioned on general business conditions, a year ago interviewees looking for good times in 1958 accounted for only 31% of all consumers, if the sample is representative; but this past winter 55% looked for good times in 1959. Similarly, a year ago 41% flatly looked for bad times in 1958; whereas now only 17% are outright pessimists. These comparisons betoken strong consumer spending throughout 1959.

That inflation expectations are not confined to Wall Street traders is reflected in answers to the question dealing with future consumer-goods price movements. During the depth of the recession, in the winter of 1958, 48% of consumers expected prices would rise in the course of the year. This winter the corresponding proportion of consumers is 61%. Among the consumers the real optimists are those who count on a decline in consumer-goods prices. In this category a year ago were 13% of all consumers. Now their ranks have shrunk to 6%. With all that is being said about inflation nowadays, from the White House down, the survival of even this hard core of "real optimists" is notable.

Intended Buying

The percentage of consumers intending to buy houses and various durable goods during the year is generally greater than a year ago, but it shows no significant change in regard to furniture and major household appliances.

Those expecting to buy a new car in 1959 expect to pay more for it than was the case in the corresponding survey of early 1958.

Spending expectations for non-farm home improvement and maintenance likewise are lower this year than in each of the two preceding years, to wit: 1959, \$360; 1958, \$380; 1957, \$460.

HERBERT BRATTER

CONSUMER FINANCIAL POSITIONS

(Percentage distribution of spending units)

Financial Position	Early 1959 ¹	Early 1958	Early 1957	Early 1956	Early 1955
Evaluation of own financial situation:					
Better off than a year ago...	38	32	40	40	38
No change.....	34	36	35	35	33
Worse off than a year ago....	27	31	23	23	27
Don't know, not ascertained.	1	1	2	2	2
All cases.....	100	100	100	100	100
Past change in income rate: ²					
Making more than a year ago	40	36	45	41	38
No change.....	36	36	35	38	37
Making less than a year ago	22	26	18	18	23
Don't know, not ascertained..	2	2	2	3	2
All cases.....	100	100	100	100	100

INCOME GROUPING OF SPENDING UNITS

(Percentage distribution)

Money Income Before Taxes	1958 ¹	1957	1956	1955	1954
Under \$1,000.....	8	8	9	11	10
\$1,000-\$1,999.....	13	13	12	12	13
\$2,000-\$2,999.....	12	11	12	13	14
\$3,000-\$3,999.....	12	13	12	14	17
\$4,000-\$4,999.....	12	12	14	14	14
\$5,000-\$7,499.....	23	25	24	22	21
\$7,500-\$9,999.....	12	10	9	8	6
\$10,000 and over.....	8	8	8	6	5
All cases.....	100	100	100	100	100

SIZE OF LIQUID ASSET HOLDINGS³

(Percentage distribution of spending units)

Size of Holding	Early 1959 ¹	Early 1958	Early 1957	Early 1956	Early 1955
Zero.....	26	26	24	28	29
\$1-\$199.....	19	17	17	15	17
\$200-\$499.....	14	14	14	12	12
\$500-\$999.....	11	11	12	12	10
\$1,000-\$1,999.....	10	11	11	11	10
\$2,000-\$4,999.....	11	12	13	12	12
\$5,000-\$9,999.....	5	5	5	6	6
\$10,000 and over.....	4	4	4	4	4
All cases.....	100	100	100	100	100

MEDIAN PLANNED EXPENDITURES⁸

Type of Purchase	Early 1959	Early 1958	Early 1957	Early 1956	Early 1955
New automobile.....	\$3,030	\$2,840	\$2,920	\$2,810	\$2,800
Used automobile.....	860	910	890	800	810
Furniture and major household appliances.....	280	290	300	290	290
Home improvement and maintenance (nonfarm) ⁷	360	380	460	370	330

CONSUMER EXPECTATIONS

(Percentage distribution of spending units)

Expectation	Early 1959 ¹	Early 1958	Early 1957	Early 1956	Early 1955
Expected change in income rate: ²					
Making more a year from now..	42	37	40	37	39
No change.....	35	34	35	36	36
Making less a year from now....	7	11	7	8	6
Uncertain, not ascertained.....	16	18	18	19	19
All cases.....	100	100	100	100	100
Expected general business conditions: ⁴					
Good times.....	55	31	60	64	59
Fair times.....	8	9	7	5	5
Bad times.....	17	41	13	9	12
Uncertain, not ascertained.....	20	19	20	22	24
All cases.....	100	100	100	100	100
Expected price movements for consumer goods:					
Increase during year.....	61	48	(⁵)	(⁵)	(⁵)
No change.....	26	29	(⁵)	(⁵)	(⁵)
Decrease during year.....	6	13	(⁵)	(⁵)	(⁵)
Uncertain, not ascertained.....	7	10	(⁵)	(⁵)	(⁵)
All cases.....	100	100	(⁵)	(⁵)	(⁵)

CONSUMER PLANS TO PURCHASE HOUSES AND DURABLE GOODS⁶

(Percentage of spending units planning purchase)

Type of Purchase	Early 1959 ¹	Early 1958	Early 1957	Early 1956	Early 1955
Houses ²	9.3	7.5	8.7	9.4	9.4
Home improvements and maintenance ³	24.6	22.1	23.4	22.2	22.0
New automobiles.....	7.6	6.9	8.5	8.4	8.2
Used automobiles.....	9.8	10.4	8.4	7.2	7.5
Furniture and major household appliances.....	27.8	28.2	29.4	28.0	28.5

FOOTNOTES

¹ Preliminary data are based on the first 2,550 spending units interviewed and have not been adjusted for nonresponse. Adjustments in data for nonresponse will be made in subsequent tabulations based on the complete sample. Data for previous years are based on complete surveys.

² Includes only nonfarm spending units.

³ Liquid assets include U. S. Government Savings Bonds, checking accounts, savings accounts in banks, and shares in savings and loan associations and credit unions; currency is excluded. Data prior to 1959 include postal savings accounts, which were held by less than 2% of all spending units in 1958. Data prior to 1957 include also marketable U. S. Government bonds, which were held by about 1% of all spending units early in 1957.

⁴ The question was, "Now considering the country as a whole, do you think that during the next 12 months we will have good times or bad times or what?"

⁵ Not available.

⁶ Includes spending units that reported they would, probably would, or possibly would buy or that had already bought in Survey year.

⁷ Includes only those planning an expenditure of \$50 or more.

⁸ Data for automobiles are based on planned expenditures of spending units reporting that they would or probably would buy or had already bought; data for other items include, in addition, planned expenditures of spending units reporting that they possibly would buy. Medians are interpolated from bracket amounts starting in 1952. Preliminary data for early 1959 are based on the first 2,550 spending units interviewed and have not been adjusted for nonresponse. Adjustments in data for nonresponse will be made in subsequent tabulations based on the complete sample. Data for 1958 and previous years are based on complete surveys.

A Broadened Education Program

A.B.A. Plans Include Bankers, Colleges, and Public Schools

EVERETT D. REESE

AN ambitious long-range program, aimed at strengthening and expanding the educational activities of organized banking is shaping up within the American Bankers Association.

At its meeting in New York City on January 29 and 30, the A.B.A. Council on Banking Education worked out plans for accelerating improvement of banker education programs and contributing to better teaching of financial subjects in schools and colleges.

The CBE was set up 15 months ago as a planning and counseling body in the educational field. It was not intended to duplicate the work of local banking groups or other units of the A.B.A., but will work with and through them to promote exchange of information and ideas, encourage closer coordination of their efforts, and stimulate the development of new national and local programs for which a need exists. In these and other ways we can supply leadership and effective assistance in what we hope will amount to a broad-based cooperative effort, embracing both national and local banking groups, to perform a better educational service for our member institutions and for the public.

12 Bankers on CBE

The CBE is composed of 12 bankers chosen because of their interest in, or connection with, some phase of banking education. Specific representation is given, in the CBE's make-up, to the American Institute of Banking, The Graduate School of Banking, the state and regional schools, and the fields of bank executive development and bank personnel training. Three members of the CBE represent the main functional divisions of banking—commercial, savings, and trust. The chairmen of the A.B.A. Public Relations Council and the A.B.A. Foundation for Education in Economics are ex officio members.



MR. REESE, a past president of the American Bankers Association and now chairman of the board of regents of The Graduate School of Banking, writes here as chairman of the Council on Banking Education, whose aims and purposes he discusses. He is chairman of the board, The Park National Bank of Newark, Ohio.

Top-priority project of the CBE at the present time is a comprehensive study of the many bankers' schools and other banking education programs sponsored by the A.B.A. and the state associations. The aims will be to get a clearer picture of what our industry's educational needs are, to match programs already available to bank staffs against these needs, to figure out how present educational programs need to be improved or expanded and what new ones should be developed, and (after the study is completed) to help in carrying out these new or improved programs.

The Council is convinced that a study of this kind is essential if banking education is to keep pace with the times. We are witnessing a rapid growth of our industry, which means a corresponding increase in the need for personnel who

can competently operate and manage the nation's banks. The changing character of banking operations has given rise to needs for new types of training, both broad and specialized. More college graduates have come into banking. Problems of management succession and executive development have assumed vital importance. These and other developments have affected banks' needs for educational services. At the same time, the continuing multiplication of national and state-sponsored banking schools, clinics, seminars, and conferences has directed attention to the need for more effective guidance to the evolution of our industry's educational structure.

Study Plans Complete

The idea for the study of banker education grew out of a factual survey of state-sponsored banker education programs made two years ago by the State Association Section of the A.B.A. Last September, the Section's executive committee suggested that the CBE undertake a more extensive study of the whole educational picture of organized banking with a view to determining whether the right things are being done to the right extent, what else needs to be done, and how to do whatever needs doing. Plans for the study are now complete, and it is expected that it will get under way this spring after final approval by the Administrative Committee.

The study will be conducted by a committee of bankers and professional educators, aided by a director and staff aids. Members of the A.B.A. staff will not be utilized for this work, except to supply information needed by the committee. Close contact will be maintained with the state associations, whose cooperation will be needed in carrying out the study and in implementing its recommendations.

We hope that there will emerge from the study a definite workable

plan of banker education on a nationwide basis, as well as provision for assistance to the state associations in developing and carrying out their own educational programs.

In addition to the study of banker education programs, there are other ways in which the CBE should be able to contribute to the strengthening of our industry's educational machinery. One way is by stimulating the preparation of text and other materials suitable for use in bankers' schools and internal training programs. The value of such materials has been demonstrated by experience with the Economic Policy Commission's six *Monetary Studies*.

College Relations

Leaving the subject of education for those already in banking, I should like to say a few words about our activities in the field of college relations. For years, bankers have been complaining that many college teachers of economics have a somewhat negative attitude toward banking; that college courses in money and banking do not convey an adequate understanding of the functions of our financial system; and that graduates emerging from the colleges are not adequately informed about career opportunities in the banking field.

The CBE believes that something must and can be done about this. We are tackling the problem from several angles. First, we are attempting to broaden the distribution of certain of our A.B.A. publications to college libraries and professors—both directly by A.B.A. and also through our member banks. There is no thought of "propagandizing" in this connection. We intend to approach the problem in an intelligent and unbiased way.

You may recall that A.B.A. sent out a letter to its members in the last September asking them to support and finance their own efforts in this direction by purchasing and donating educational materials, including books, to banks. Many banks have taken advantage of this method of establishing closer relations with local educators, and we hope that more will do so. If your bank has not already instituted a college gift program, and would like to do

so, I urge you to write to the A.B.A. office in New York for suggestions as to suitable publications and selection of teacher donees.

Second, we have instituted a new program under which a number of college educators are invited to attend certain of our A.B.A. conferences and working meetings. This program has had an even more favorable reaction among both bankers and educators than we had anticipated, and we intend to expand it. Obviously, however, the A.B.A. cannot reach more than a small fraction of the nation's many money and banking instructors. If we are to get real results, it will be necessary to extend the program to include meetings sponsored by individual banks (e.g., correspondent meetings) and by state and local banking groups. Also, we hope that individual banks will assume at least part of the responsibility for inviting local educators to A.B.A. meetings and paying their expenses.

Other elements in our college relations program include efforts to in-

duce banks and bankers' associations to establish chairs of banking, and a proposed program of fellowships for promising students who are interested in doing graduate work in the banking field. We hope through these phases of our program to encourage capable young people to specialize in banking, to enlarge the supply of trained graduates for banking education in the colleges and for banking itself, and to improve the breadth and quality of teaching of banking in American universities. The fellowship program is a project of the A.B.A. Research Council. The CBE voted in January to recommend its approval to the Administrative Committee.

This brings me to the third main area in which the CBE is operating—that of public school relations. As you know, the Public Relations Council has had for some years a "school relations" program which is designed to stimulate local banks to cultivate closer relationships with public schools in their communities. The CBE will not overlap with this phase of the Association's public relations activities. However, it can facilitate these efforts through its own strictly educational program.

Council on Banking Education

Everett D. Reese, *chairman*

Lewis L. Bush, vice-president, American Trust Company, San Francisco.

Frank M. Dana, vice-president, Bank of America N.T. & S.A., San Francisco, Calif.

Carroll D. Simmons, vice-president and senior trust officer, First City National Bank of Houston, Tex.

Albert L. Muench, executive vice-president, New York State Bankers Association, New York, N. Y.

Herbert V. Prochnow, vice-president, The First National Bank of Chicago.

Otis A. Thompson, president, National Bank and Trust Company, Norwich, N. Y.

Gene Bridges, president, Capital Bank and Trust Company, Baton Rouge, La.

William Maude, president, Howard Savings Institution, Newark, N. J.

Philip Shoemaker, vice-president, Fidelity Trust Company, Pittsburgh.

Herbert A. Miller, executive vice-president, National Bank, Lebanon, Pa.

Public Relations Council on Banking Education.

Teacher-Pupil Materials

The main element of this program will be the development of booklets, films, and other teacher and pupil materials suitable for use in elementary, junior high, and high school classrooms. The A.B.A. receives an enormous number of requests for such materials from teachers, as do the state associations and individual banks. Unfortunately, there is a dearth of good publications which can be supplied. We plan to tackle this problem energetically and to enlist the cooperation of state and local banking groups in an industry-wide effort.

Those of us who have been close to A.B.A. over a period of years know that by far the largest part of the services rendered by the Association to its members are essentially educational in character.

But our education programs cannot stand still. We shall need courage and inventiveness in adapting and expanding them to meet changing conditions, and a determined cooperative effort at all levels of banking to get the best possible job done. We believe that banking will welcome this challenge.

BETTER METHODS & SYSTEMS

We Lost No Time Updating Our Files

H. M. McGARVEY

The author is president, County National Bank, Clearfield, Pa.

A BANK can't close up shop to change its files. Aside from the rules and regulations governing our activities, we have an obligation to depositors to keep the wheels turning smoothly and quietly. That's why the outstanding feature in the complete changeover of our filing system and equipment was that we accomplished it without a single in-



Control is the key. The correct paper is easily found by scanning the colored tabs on the file folders. When a paper is removed, an out-card replaces it to prevent its becoming lost or mislaid



"Make the file fit the papers rather than the papers fit the file," is one bit of advice County National followed to save space, preserve documents, and to improve general efficiency

terruption of our day-to-day routine.

And it had to be done. Bulging record cabinets in the bank vault were like old friends, but only to a handful of venerable employees. They knew just where to go to pick out the Smith & Company file, for instance, even though it was buried under some obscure classification. For the majority of our people, finding a specific paper in our record cabinet was a needle-in-a-haystack job.

Service is the basic product of any bank. Every minute we lost hunting for papers was, in effect, a part of our product thrown to the winds. Our new system has not only made definite savings in the amount of time it takes to find a specific folder, but has also cut in half the amount of space needed to hold active files.

The initial step was essentially a matter of culling through every piece of paper in our folders. With the help of Remington Rand Business Services Department we went

through every paper, marking its dimensions; noting the condition of the file, shelf, or cabinet; indicating whether it should be active, inactive, or thrown away; and other related information.

Some papers were so old we kept them for historical reasons. Some were microfilmed and destroyed. Some were placed in inactive files. And, of course, many remained in the active files.

Next the cabinets were changed for better preservation of the records, for space saving, and for more efficient filing generally. We installed modern 5-drawer files that occupy no more space than is required by conventional 4-drawer files. Special storage cabinets for microfilm records make their handling more efficient and provide maximum protection, through a chemically stabilized humidity, against deterioration while in storage.

Most important as a time-saver in locating a specific folder is the straight-line filing method that re-

placed our old system. Colored tabs on the left side indicate the primary categories and mark the specific folders. On the right side are tabs for folders that are referred to frequently. The material is filed in a logical sequence that can be easily followed.

Ever "lose" a folder in someone's desk drawer? That used to happen to us, but it doesn't any more. The files are now under the control of one clerk who regulates the movement of papers in and out of the file. When a folder is removed, control information goes on an out-card which is dropped into the space.

A manual was prepared when the system was set up which is, in effect, a blueprint giving step-by-step details of how it works. This helps to assure that the system will not be changed by the whims of an individual. And it eliminates most of the worries that arise when breaking in a new clerk to replace one who leaves.

Thus, without interrupting normal daily operations, a new system was installed that saves us space, time, and effort.

Time Standards for Bookkeeping Jobs Set in NABAC Study

THE Research Institute of the National Association of Bank Auditors and Comptrollers has completed a study establishing time standards

for each of several bookkeeping jobs, applicable to banks of all sizes. Data were obtained in 23 banks.

The operations studied were posting, trial balances, microfilming, transfer of balances, filing, canceling, sorting (rough and fine), listing, statement rendering, and check examining.

The results are published in two volumes. One is a technical manual dealing with the research findings into the dual posting, fully-deferred method of demand deposit account-

ing. It describes the research, data, and methods used in establishing standards.

The other volume is a working procedures manual to assist in evaluating operators' performance against industry-wide standards. It outlines an 11-step procedure to guide individual banks in measuring operator performance.

NABAC's Institute is also completing a study of single-posting demand deposit accounting methods, including "tronic" systems.



New Sorter and Imprinters

BURROUGHS recently unveiled "the world's fastest document sorter" that reads magnetic ink characters on bank checks and other items and sorts them at the rate of more than 1,500 per minute. The company also announced a "magnetic imprinter" and a "magnetic amount and account number printer" employed to print numbers and symbols in magnetic ink on checks and other items."

These products were developed to conform with the common machine language, final specifications of which are expected soon.

The company said that the new sorter, by addition of conversion equipment, "will fit into the most sophisticated automation systems."

Transistorized Data Processing

FIDELITY-PHILADELPHIA Trust Company has leased a completely transistorized general purpose electronic data processing system (RCA 501) to speed operations in its 25 offices.

The bank handles an average of 90,000 checking and deposit transactions daily.

Deposit Bookkeeping

INSTALLATION of "the first electronic data processing system" (General Electric 210 with National Cash sorters) to handle the deposit bookkeeping of a medium-sized bank is announced by the Merchandise National of Chicago.

"Perforated Language"

CUMMINS-CHICAGO Corporation reports that the first equipment for its "dual code perforation" has been delivered; it's for an instalment payment accounting operation. This new "language," legible to people and to machines, and compatible with magnetic coding, uses legible perforated arabic characters for marking information that must be read by humans, and 5-channel in-line punched code for machines.

Instalment Transactions

NATIONAL Bank & Trust Company of Fairfield County, Stamford, Conn., is operating the first Cummins Perfo-Reader to be used in New England. It feeds information from instalment payment transactions into the bank's Remington Rand Univac computer. A

(CONTINUED ON PAGE 125)

L. S. U. Computer Conference to Include Program for Banks

THIS year's program of Louisiana State University's annual high speed computer conference at Baton Rouge, Apr. 21-24, includes for the first time a half-day session on applications of computers and other high speed equipment in banking and related financial activities.

The banking section offers these papers: "The Development of a Common Machine Language for Financial Institutions," T. R. Bitterly, assistant manager, electronic machine sales, National Cash Register Company; "The Check Mechanization Program of the Federal Reserve System," C. B. Strathy, vice-president, Federal Reserve Bank of Richmond; "Some Recent Innovations in First National City Bank of New York Involving Advanced Computer Equipment," W. A. Rough, assistant cashier of that bank.

Other sessions will be devoted to industrial accounting, public accounting, marketing, management and insurance. Equipment will be demonstrated.

Attendance is open to all. For further information contact: General Extension Division, Louisiana State University, Baton Rouge 3, La.

WHY Business Customers Choose a Bank

*... As Shown by the Questions They Ask and
the Comments They Make During
Business Development Calls*

GEORGE M. WASEM

MR. WASEM is vice-president of the Commercial National Bank, Peoria, Ill.

IN recent years, studies revealing the attitudes of business executives toward banks, their opinions about bank services, and information about their banking practices have been published at somewhat irregular intervals.

Two of the more recent studies are "How Corporate Treasurers Select Their Depositories," prepared in the Department of Monetary Policy, American Bankers Association and published in *BANKING* for March 1957; and *Business Looks At Banks*, George Katona, University of Michigan Press, 1957.

In addition, the *American Banker*, the *Bulletin of the Financial Public Relations Association*, *Burroughs Clearing House*, and other trade publications have published articles on the subject.

The approach usually has been to use the survey technique to obtain data about the opinions and attitudes of financial officers. In turn, the information was used to construct theory and to establish principles of business actions toward banks.

This monograph is a report on actual business development calls recently made on financial officers and executives of nationally known companies located in major cities.

The visits were made and the report written by an officer of a medium-size commercial bank.

Each interview consists of two parts. First, in color, a comment by a company executive on one of the topics discussed during the call. The comment is then supplemented by explanatory remarks in the form of selling points, designed to clarify the point and to contribute to the reader's understanding of a special factor involved in each case.

The author's sole objective is to contribute to the practical framework of the subject.

"I know you think your board is strong and representative, but what I want to know is—do you have a wholesale grocer on your board who will sell our products?"

Reciprocity is often a factor in business development.

* * *

"We appreciate that you carry a good deal of your insurance with us; more than your competitor who has our account. However, we've been customers there for many years and don't believe we'll change at this time."

Reciprocity is often not the most important factor that brings immediate results. We may feel the stability of the relationship is due to inertia and tradition. They call it loyalty. All of us could enjoy more of it.

* * *

"I've been told you've been very helpful to our transferees to your city and I want you to know we sincerely appreciate it. We especially appreciate the help you gave our new manager in finding a home."

"Yes, I've been flying quite a bit—have a new plane, you know."

"Sure hope the hunting is better this year."

"Let me show you where they're going to dig that well. All I have now is a 1/32-interest in a nonproducer, but you never know."

"As treasurer of the ball club, I see practically every game."

Don't overlook the human factor. It is often the most important one involved. It may be necessary to listen closely about baseball, flying, oil, and duck hunting before talking banking.

* * *

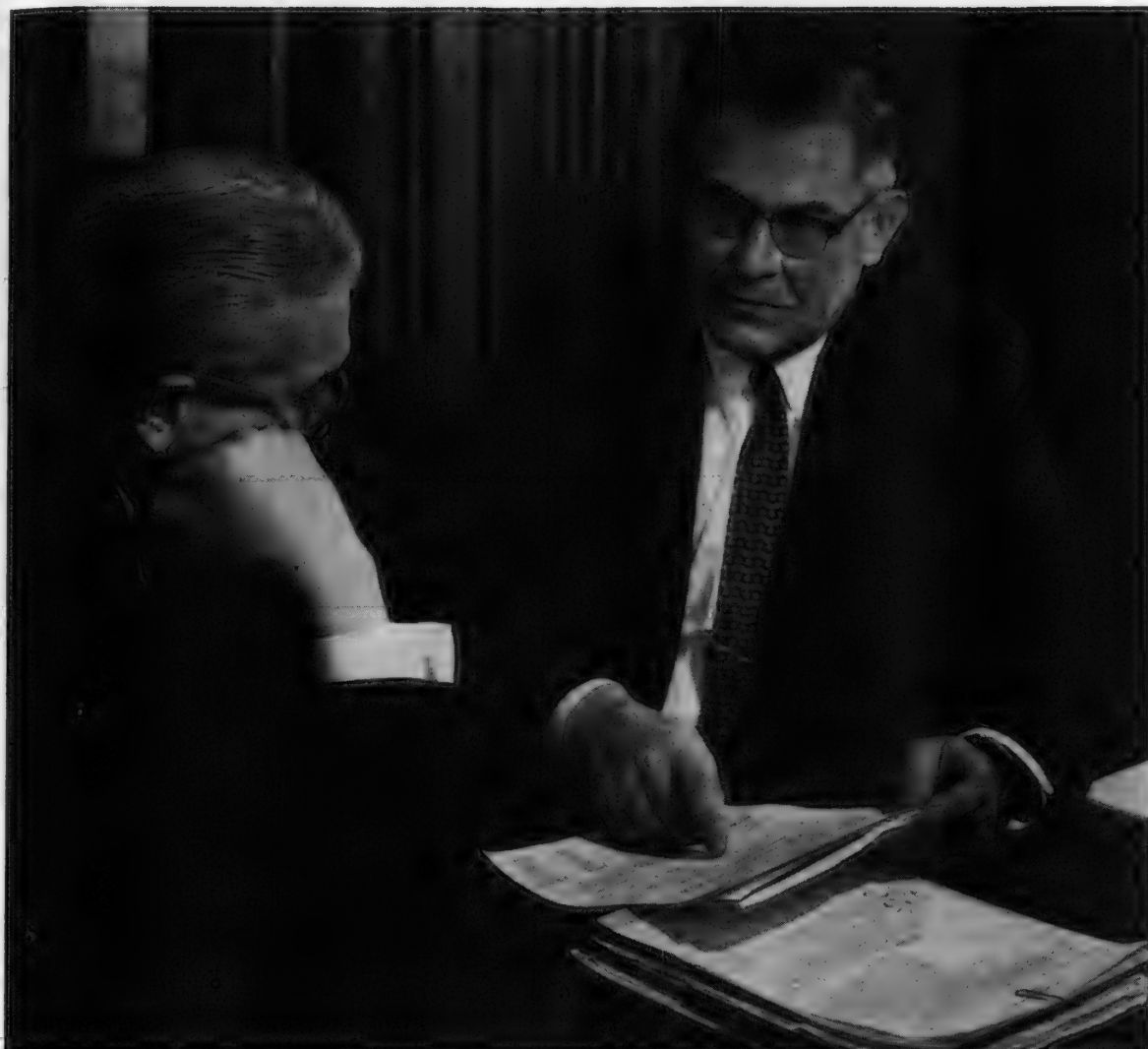
"Jim and Bob [division and branch managers] told me you've been in to see them,"

When your bank is located in a smaller community, it may be necessary to work at three levels—local, regional, and national. Also, firms appreciate it when bankers work with their local personnel.

* * *

"Now, if you'll write out your proposal in detail and send it to me, I'll study it from our standpoint. Contact me in a week."

(CONTINUED ON PAGE 130)



Men from Division F can serve your bank

Division F at The First National Bank of Chicago can serve you in two ways.

Our men are assigned geographical areas. They learn the problems of bankers in those areas and, in a sense, acquire a local banker's outlook—*your* outlook.

They can discuss your problems with the officers in our commercial divisions who are specialists in their fields. They can supply you with first-hand knowledge and current industrial information for your business loans.

So whether you need to know

about trends in the steel industry or want an evaluation of a bond portfolio, these men can supply you with the answers. This is true, also, of your inquiries about management, operations and advertising.

One of our officers will explain details at your convenience!



The First National Bank of Chicago

Dearborn, Monroe & Clark Streets • Building with Chicago since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The Questions Those Students Asked!

Georgia College Men Get Closeup of Banking in 2-Day Atlanta Program

Panel members answer students' questions about banking at informal discussion. *L. to r.*, Walter E. Graham, president, GBA Junior Bankers Section, and vice-president, First State Bank of Albany; Eugene E. Jones, vice-president, Citizens & Southern National Bank, Atlanta; J. H. Paulsen, II, assistant trust officer, Savannah Bank & Trust Co., Savannah; moderator Albert Griffin, professor of business administration, Emory University; William S. Wilkerson, cashier, Commercial National Bank, Cedar-town; and Cliff C. Kimsey, Cornelia Bank



"COLLEGE Men Look at Banking Today" was the theme of a program conducted recently in Atlanta by the Georgia Bankers Association Public Relations and Education Committee and the Atlanta Clearing House Association. Guests were approximately 130 juniors and seniors from the University of Georgia College of Agriculture and College of Business Administration, Georgia State College of Business Administration, Georgia Tech, Emory University, and Mercer University. The purpose was to acquaint the students with banking and to point out its career opportunities.

Months of advance planning preceded the 2-day program. The GBA Public Relations and Education Committee met with officials of the schools to work out the details, including the number of students to participate from each institution; their selection was left to the school officials. Students studying finance and related subjects, who expressed an interest in learning more about banking, were invited. Advance copies of the program were distributed to build up interest. Arrangements were made for busses to bring the out-of-town students to Atlanta.

The program opened on a Friday morning with registration at the hotel, where each student received a kit containing a name tag, a copy

of the program, and information on the activities scheduled.

At luncheon, W. N. Downs, chairman of the GBA Public Relations and Education Committee, welcomed the guests. Later the students were taken on conducted tours of the Atlanta clearinghouse banks. The young people were divided into four groups and a rotation schedule set up to facilitate movement through the banks. Representatives of the Citizens & Southern National Bank, First National Bank of Atlanta, Fulton National Bank, and the Trust Company of Georgia had charge of the trips.

A complete 2-hour tour was made at the first bank visited. The students were greeted by officers and then visited the departments where operations were explained and questions answered. The visits to the other three banks were briefer.

Guests at Dinner

On Friday night the students were guests at a dinner attended by their college professors, officials of the Georgia Bankers Association, and the Atlanta Clearing House Association, the bankers who had conducted the tours, and those who were otherwise participating in the program. Guest speaker at the dinner was Henry C. Coleman, president, Commercial Bank at Daytona Beach, Fla., who spoke on "A Bank's Place in the Community."

Following Saturday morning breakfast the students were divided into four groups for a 2-hour period of informal panel discussions. The panels were moderated by professors from the participating schools; five bankers served on each panel. Subjects discussed were credit, operations, personnel, instalment loans, and trusts. After each panel member made a brief statement on his subject the discussion was opened for questions from the students.

The final event was a Saturday luncheon at which William Powers, senior deputy manager of the American Bankers Association, talked on "Career Opportunities in Banking." Mr. Powers, secretary of the A.B.A. Executive Development Committee, presented valuable information on the prospects for young men entering banking today.

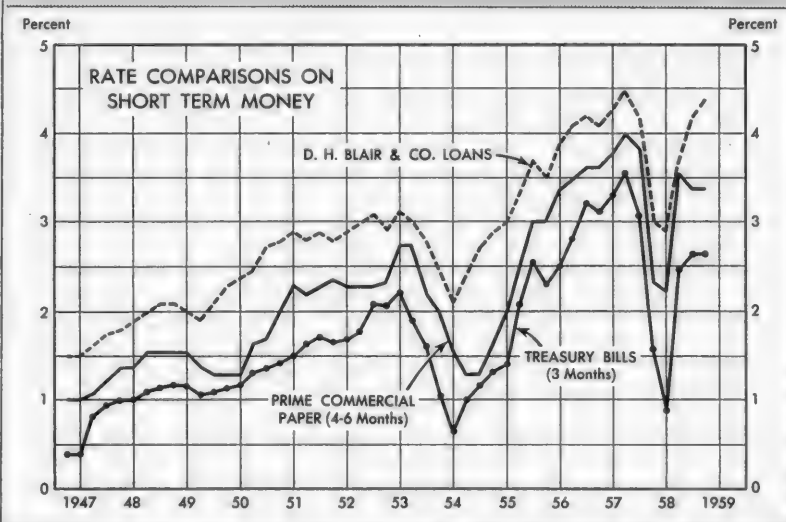
The students, college officials, bankers, and others who participated expressed high praise for the program. Members of the Junior Bankers Section of the Georgia Bankers Association had an important part in its success, conducting the tours of the banks and serving as panel members in the discussion groups.

Expenses of the program, including the cost of the students' transportation and hotel rooms, were shared jointly by the Georgia Bankers Association and the Atlanta Clearing House Association.

*Attention:
Loan Officers!*

are you getting the most for your money?

The chart below graphically shows you why so many banks are turning to D. H. Blair & Company, a New York Stock Exchange member firm, specializing in money brokerage and collateral loans.



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"Money Brokers for Brokers"

Financing Prefabricated Homes

Prefabricated homes showed a bigger proportionate growth last year than did "conventional single-family nonfarm units," according to figures released last December by a trade journal for homebuilders, *House and Home*. Prefabs gained 7%; conventionals, 2%. The magazine's study of 125 home manufacturers showed a total of 67,000 prefabs shipped during the year. The Prefabricated Home Manufacturers Institute, a na-

tional association, estimates the figure even higher.

Among the several banks experienced in this area is Central-Penn National Bank of Philadelphia. Here, W. H. TOMLINSON, vice-president at that bank, answers 11 questions on prefab financing put to him by *BANKING*. MR. TOMLINSON points out problems and procedures that will be of value to banks interested in this type of home finance.



Mr. Tomlinson

Q. How did your bank become interested in financing "Prefab Homes"?

A. A valued customer presented an application to the bank for assistance in financing "shells." We made our analysis on the basis of visiting plants and sites. We agreed to make loans for nominal amounts with the expectation of obtaining some experience in this interesting and growing field. This application was presented in 1952.

Q. What basic documents do you require from the mortgage company or manufacturer? How do you proceed to draw up the necessary legal papers?

A. The bank screens all applications. We receive a letter of transmittal application in duplicate from our depositor or mortgage company, enclosing deed, application of the purchaser, credit report, employer's report, and verification of bank balance, if any. If the credit is approved, we return all documents with one copy of letter of transmittal indicating our approval, and the duplicate is kept in our file. The mortgage company then prepares all documents and arranges for the settlement.

Being a national bank, we are subject to section 24 of the Federal Reserve Act covering real estate loans. From the beginning we have asked for all documents which would qualify a loan under this section; hence we require title insurance,

mortgage, bond and warrant, fire insurance with extended coverage, and evidence of the value of the land and building. The terms of the mortgage must qualify under this section.

When the house is completed, or at least is in habitable form, we require a photograph of the dwelling with the date, the address, and the signature of the owners.

Q. How does the bank protect itself against the filing of mechanics' liens?

A. We gave the subject of mechanics' liens proper consideration. Our first loans were made to "do-it-yourself" purchasers and we felt this liability under such conditions was negligible. Under this type of loan, the bank does not obtain any other security than the mortgage and the responsibility of the owner and mortgage company when mechanics' liens are excepted under the title policy. As we moved into the field of financing the dealer-erected houses, the bank required protection against mechanics' liens. The title insurance policy which we require in such cases protects the bank against this liability.

Q. After the signing of the basic documents, how does the buyer proceed to have his house delivered and erected?

A. Settlement is made and the basic documents are then delivered to the bank for its file. In the "do-

it-yourself" type, either two or three deliveries are usually made. The manufacturer has a contract with the mortgage company and exhibits a receipt of the buyer for merchandise delivered. This receipt is attached to a note, and the bank immediately makes its advance under the terms arranged.

The bank makes one large payment to the mortgage company on the dealer-erected house and possibly one or two smaller advances to complete the house. Proper releases are obtained from owner and dealer before the funds are advanced, and the bank is supplied photostats of the executed releases and a photo of the property with certification.

Q. What phases of the completed house do you finance?

A. Originally, we financed the "shell."

It became quite evident to the manufacturers that they could widen their market by selling utilities, and the bank was asked to make larger loans to include such products. In order to create additional sales, some manufacturers developed the "shell" erection transaction with various forms of completion, and we are presently financing all types.

(CONTINUED ON PAGE 127)

COMPUTER PROGRESS FROM GENERAL ELECTRIC

AUTOMATED BANKING—WITH THE EXCLUSIVE
G-E MAGNETIC INK CHARACTER READER—MADE

PRACTICAL FOR BANKS OF ALL SIZES—NOW!



GE 210 BANKING ELECTRONIC
DATA PROCESSING SYSTEM

All General Electric automatic data processing systems for banks feature the most advanced techniques—magnetic ink character reading and computer-controlled automatic check sequencing and sorting.

Numbers readable by the human eye are printed on customer checks in an ink which is also read by the magnetic ink character reader. There is no costly, time-consuming translation of the information onto punched cards or paper tape; the check itself is the input media. The ABA-approved E18B type font is used on the checks.

The installation of the first G-E banking system is proceeding according to plan. Other systems are undergoing initial testing.

For more information, write or wire for brochure CPB-37... for information regarding any computer problem, programming assistance, mathematical analysis, and computer time rental, contact: Computer Department, Room 2200 A, General Electric Company • Deer Valley Park • Phoenix, Arizona

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GENERAL  ELECTRIC

FOR FIGURES IN A HURRY—FIGURE ON A GE COMPUTER



CPB-37 (4-60)



Mr. Wood

A New Dimension in Marketing Research for Banks

ALBERT J. WOOD is president of the A. J. Wood Research Corporation, a firm specializing in attitude and opinion studies for corporations and banks throughout the country.

“WE can never again afford the luxury of believing that the way we view ourselves is the way the public sees us.”

These were the words of an eastern bank president to his associates when he discussed the findings of a consumer research study conducted for his bank. What did the study reveal to cause this statement?

A brief history of the bank, which shall be referred to as The City Bank (for purposes of anonymity), should provide the background information before we discuss the actual study. The City Bank was the largest in the city in terms of resources and physical size. It had about the same number of branches and the same annual appropriations for advertising as the second bank,

which shall be referred to as The American Bank.

The City Bank took an active part in community affairs; its officers served on local committees and actively participated in programs that concerned the growth of industry and business. Its officers and directors were proud of the role that the bank played in the community and of the services provided to the banking public. Its slogan for 20 years previous to the study was “A Vital Part of the Community Since 1847.” Its advertising stressed the reputation, the broad area coverage, and the stability of the bank.

The management of The City Bank assumed that, as times changed, people would come to the automatic conclusion that banks also changed. Therefore, they were not too worried about the fact that, until recently, their bank catered to the large accounts—both business and personal—and was regarded as an “exclusive” bank for upper income

ALBERT J. WOOD

people and for big business. Surely the public could now see that their doors were open to everyone. Didn't their movement to branch banking prove that they were “everybody's bank”?

Although they were keenly convinced that their public image was favorable, the management of The City Bank was wise enough to recognize the need for measuring public opinion of the bank. Realizing that this was a job for professionals, the president and his management group engaged a competent research firm with the necessary experience.

In a special memo to his executive group, the president stated: “We are having this research study conducted by a firm with a national reputation for objectivity. It will be their responsibility to give us the unbiased picture of how we stand in the minds of the various consumer groups who make up the banking public. Naturally, they expect our cooperation at all times, and this includes keeping the project completely confidential until the findings are presented.”

The research firm, employing special techniques developed for bank marketing research studies, was able to analyze the image of The City Bank as it existed in the minds of the people in the community. The study was comprehensive, covering all aspects of banking behavior and attitudes, but the remainder of this article will be devoted only to a

(CONTINUED ON PAGE 56)

Two Banks' Profiles Compared

Profile Component	American Bank		Profile Component	American Bank	
	City Bank	Bank		City Bank	Bank
Best reputation	40%	70%	Least accommodating	69%	42%
Largest	64	40	More for big companies	64	29
Best teller service	40	60	Average income	30	70
Most progressive	34	62	Higher income	68	30
Friendly	30	74	Old people	64	25
Convenient to home	44	60	Little fellow	35	65
Convenient to job	54	67	Oldest bank	68	45
Old-fashioned	60	47	Most advertising	40	65
Accommodating	34	60	Active in community	44	55
Best for loans	30	80			



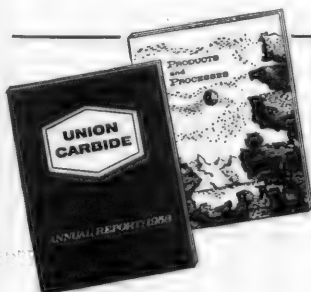
UNION CARBIDE CORPORATION

1958 Annual Report Summary

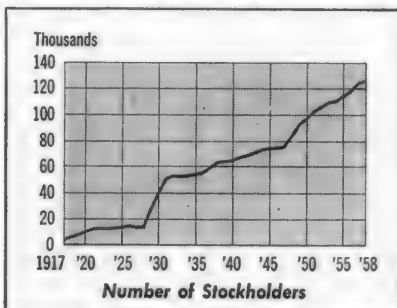
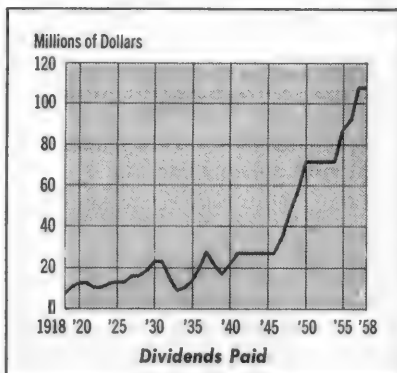
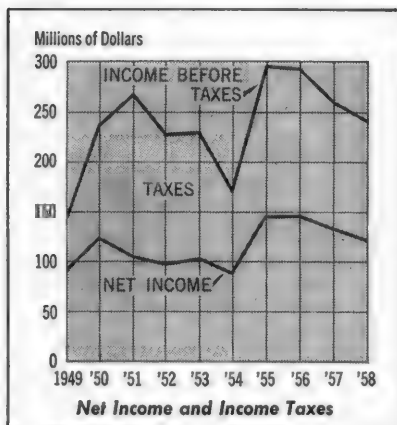
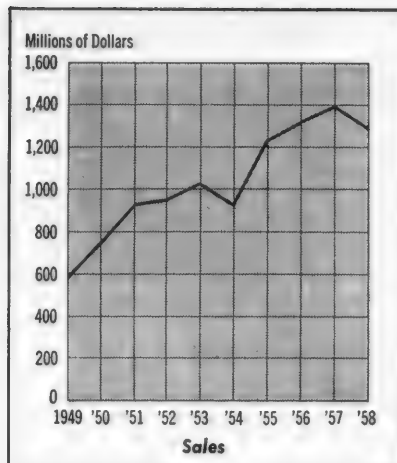
	<u>1958</u>	<u>1957</u>
Sales	\$1,296,532,373	\$1,395,032,817
Net Income	124,936,845	133,740,818
Per Share	4.15	4.45
Dividends Paid	108,265,402	108,307,512
Per Share	3.60	3.60
Earned Surplus	622,201,752	605,530,309

Current Assets	\$ 653,350,387	\$ 639,190,691
Current Liabilities	213,802,203	216,302,892
Total Assets	1,530,476,376	1,456,353,350

Shares Outstanding	30,093,183	30,067,123
Number of Stockholders	126,739	123,943
Number of Employees	71,500	77,000



Copies of the complete 1958 Annual Report of Union Carbide Corporation will be furnished on request. An illustrated booklet describing the products and processes of Union Carbide also is available. If you wish copies of these booklets, please write to the Secretary, Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.



summary of the results of certain answers to the image questions, which turned out to be one of the most significant portions of the analysis.

A short description of what is meant by an "image" is necessary at this time. An "image" refers to the totality of impressions, associations, and attitudes that people have of each bank. This image is a result of many influences, such as: personal experience, hearsay, advertising, and the various educational processes to which every individual is exposed during the course of everyday life. The image may have a *real* basis and reflect the true character of a given institution, or it may come from purely *imaginary* impressions; but, whether real or imagined, it can exert an important influence on the selection process of the individual.

In this study for The City Bank, a true cross-section of the banking public was asked to rank the various banks on 19 separate aspects of the image, ranging from "over-all reputation" to the "kinds of customers" associated with the bank.

The image of The City Bank held by the banking public turned out to be somewhat different from what management thought it was. It was also found that The American Bank had been much more successful in creating an image of being the friendly and accommodating bank—and the bank for people with average incomes.

Real v. Imaginary Factors

Taking just two components of this image profile—"ease of obtaining a loan" and "friendliness"—the association between the *real* and *imaginary* factors mentioned above can be illustrated. The City Bank wasn't regarded as being a very easy place to obtain a loan. How did it happen that City came out so low on this important component of the bank image? Perhaps the question just posed can be answered best by using the image profile on The American Bank as an example. The American image profile shows that two of the peak components of its image are "friendliness" and "ease of obtaining a loan." The study revealed, however, that most of the banking public had had some experience with The American Bank,

but that not many had applied for a loan. Therefore, the image factor of "friendliness" in people's minds was based on *real experience* and the image factor of "ease of obtaining a loan" was *attributed* to the bank, even though the very people who answered to this question had had little or no borrowing experience with the bank. In other words, people tend to associate both real and imaginary factors.

In the above example, the principal competitor was benefiting from the relation of one factor to another, for, certainly, all other things being equal, American will get the larger share of personal loans when people are in the need of one.

Effect of Mistaken Impression

The important consideration to the sponsor of the study, the City Bank, was the fact that these imaginary associations brought about by the real associations may also serve to *deter* people from the use of a bank. Even if it actually *were* just as easy to obtain a loan at City as it was at The American Bank, the important thing was that in *people's minds* it was *not* as easy. In the final analysis, what does it matter if the services of City are as good as American's if people stay away from the bank because they feel the bank isn't interested in "just plain people" and think they would be uncomfortable in the bank?

The above findings, of course, are only a portion of the wealth of information uncovered in the study. These data, as well as other information, gave valuable clues to additional analysis, which led to the final conclusions and recommendations. For example, it was found that although City was annually spending as much in advertising as its principal competitor, this advertising had only half the impact and recall according to every measuring rod used. In other words, the competition was getting more mileage out of its advertising dollar.

A further review of the advertising programs of each bank was quite revealing. By taking for granted that people have changed their images of banks with changing times, City made no special effort to change the character of its advertising. It was still in the same conservative and dignified form that it had been for the past 30 years, with

only minor changes. It did little to break down the psychological barrier that existed in people's minds.

The competition, on the other hand, had embarked a few years earlier on a lively, interesting, and very human type of bank advertising campaign. The study revealed that this campaign had paid off handsomely in creating the public image that was needed in this community—an image The City Bank *thought* they had.

Research Conclusions

Once the analysis of the findings was completed, it was possible for the research firm to submit its conclusions, some of which are listed here:

- (1) City basically suffers from an "image of bigness."
- (2) This image is *detracting* the largest segment of the market from considering the use of City's banking services.
- (3) City is firmly entrenched among the upper income patrons.
- (4) Therefore, special efforts to woo the middle income and younger families (two groups among which City is very weak) would not disturb the franchise already held among the upper income and older families in the area.
- (5) City is well identified with stability and safety in the consumer's mind, but, unfortunately, these factors were not too important to the middle income and younger families.

Recommendations

The final report included strong recommendations that City should start immediately to change from a "financial page" image to a "news of public interest" image (to use two phrases from the publishing field). The researchers offered practical recommendations on advertising, customer relations, public relations, services, personnel, branches, and other aspects entering into the competitive picture.

Some of these steps were taken immediately; others were part of a long-range program of planned growth. It's interesting to report that a second study for City, just recently completed, showed that considerable progress had been made in the areas of previous weakness and that the bank is now really starting to live up to its new slogan: "The City Is Everybody's Bank."



Client banks have the exclusive rights to ThriftiCheck Special Checking Account Service in the area they serve.



And that's just one of the profit-making features found in the informative brochure, "The ABC's of ThriftiCheck Service."

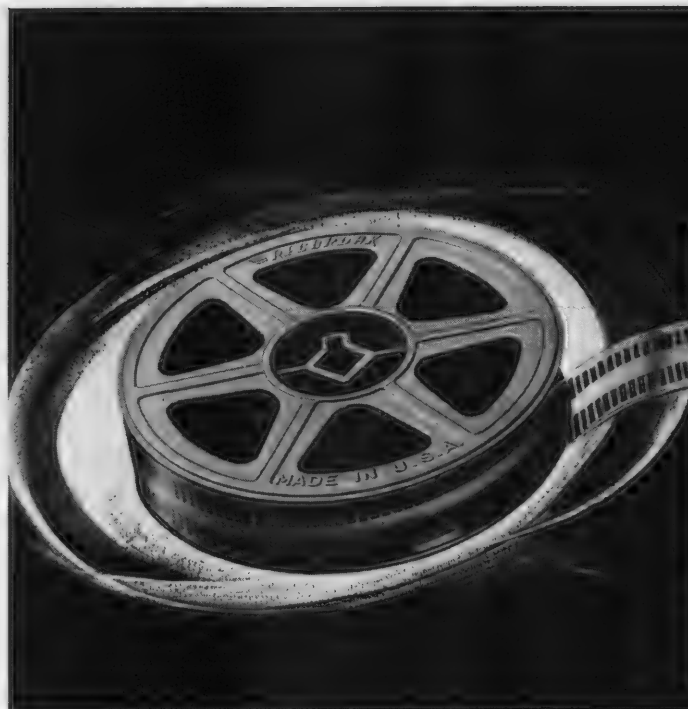
ThriftiCheck®

SERVICE CORPORATION

100 PARK AVENUE, NEW YORK 17, N. Y.

For all the facts about ThriftiCheck, write for this free brochure. It tells at a glance how ThriftiCheck can promote more profits for your bank.





AUTOMATIC FEEDING

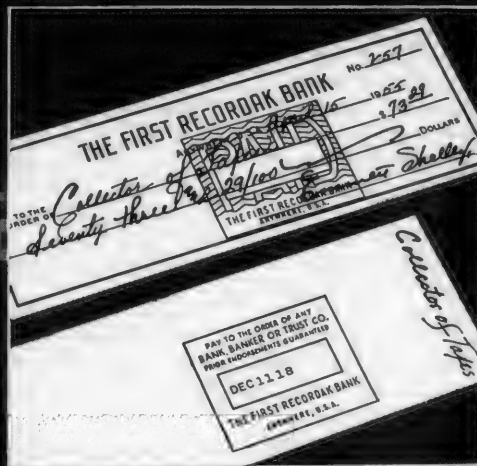
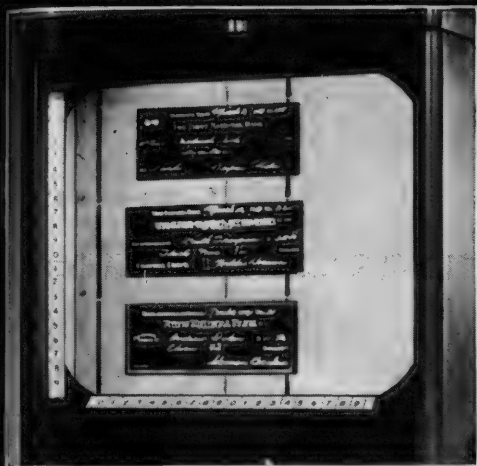
The Reliant's high-speed automatic feeder handles up to 400 checks a minute—*many times faster than older microfilers*. At the same time, this high-precision feeder all but ends chance of missed pictures by stopping checks which are stuck together.

Now is the time microfilming



Whether you are using the new electronic posting machines or planning to continue with more conventional bookkeeping methods, the automation you get with the Recordak Reliant Microfilmer will lead

The Recordak Reliant is bringing automated microfilming to banks of every size.



AUTOMATIC INDEXING

A unique feature of the Reliant, Kodamatic Indexing "codes" film record while you microfilm, gives you fast reference in a Recordak Film Reader. Code lines lead you right to picture you want, *even when checks are processed in random batches.*

AUTOMATIC CANCELLING

Another step saved! Accessory endorser for the Reliant eliminates extra operations—cancels or endorses checks while you microfilm. Teamed up with Recordak Reliant's precision feeder, it all but ends possibility of missed cancellations or endorsements.

e to automate your g operations!

to smoother over-all operations. Best of all, this is the kind of automation even the smallest bank can afford. Learn how. Mail coupon below for details on Recordak's 30-day free trial offer. There's no obligation.

"Recordak" is a trademark

RECORDAK

(Subsidiary of Eastman Kodak Company)

originator of modern microfilming
—now in its 31st year

.....**MAIL COUPON TODAY**.....

RECORDAK CORPORATION

415 Madison Avenue, New York 17, N. Y.

J-4

Gentlemen: Please send further details on free 30-day trial of the Recordak Reliant Microfilmer.

Name _____ Title _____ Bank _____
Street _____ City _____ State _____

Businessmen Follow the Advice—

"Consult Your Banker...."

WHEN executives in a national cross-section of medium-sized and smaller U. S. businesses were interviewed last fall about their utilization of outside advice, their answers indicated that banks ranked relatively high as a source of counsel.

The 1,323 concerns in 83 cities surveyed by Dun & Bradstreet reporters were asked: "Do you feel confident on your own, or do you feel the need of outside aid or guidance in the management of your business from sources such as (1) government, (2) trade associations, (3) your suppliers, (4) your bank, (5) your accountant?" Nearly half of the respondents, executives in 47% of the concerns, said they wanted no help or interference from anybody, although a few admitted they occasionally take counsel with their trade associations, banks, and accountants.

The remaining 707, or 53%, answered that they do rely on one or more sources of outside guidance. Here are the percentages of "yes" answers among the 1,323 interviews. *Many businessmen checked more than one source.*

Accountants, 35%
Banks, 28%
Trade associations, 21%
Suppliers, 20%
Government, 7%
Others, 4%

A number of respondents volunteered the mention of other sources of advice: trade publications, company lawyers, chambers of commerce, engineers, consultants, and so on. Obviously there was a good deal of overlapping among the yes answers.

The individual answers of these executives of medium-sized and smaller concerns who rely on counsel from their banks reveal an interesting diversity of attitudes towards financial institutions. Here are some survey responses:

Government policies, as reflected through the banks, keynote the man-

agement attitude. Mortgage money policy of lending agency is highly important and banker frequently consulted.

Bank advises us on borrowing and passes on business thinking of others in our line.

Bank keeps a brake on us, advising against too-rapid expansion.

Trade association and bank are helpful in indicating what is going on nationwide or from community standpoint. Need outside thinking or would get in a rut.

Have always used local banks to aid us in our management, and will continue to do so, seeking no other outside help.

Help from my bank source has had a definite effect on business progress.

My bank offers advice on financial problems, while accountant is invaluable in advice on tax problems.

Accept advice [from bank] when offered.

A typical mixture of independence combined with receptiveness to counsel was exhibited by the man who said: "I feel that the businessman should operate on his own conviction; however, bankers and trade associations are very helpful. Much can be learned through conversation with men of a particular field at annual conventions and meetings. I am against further governmental aid, as it would require tremendous administrative costs and draw good men from industry to act as guidance personnel."

Another comment: "[Want] no control [from bank] but would welcome constructive advice." In contrast was the attitude of the survey respondent who indicated that he depends on his bank for management guidance and cost control.

On the negative side were such answers as:

No, don't want any advice from any of these sources. My big trouble is

getting good help. People don't want to work any more.

If I'm not qualified to run this business, I should be allowed to go broke.

Not entirely on the negative side, but describing a business relationship which needs improvement, was the comment of the businessman who said of both his bank and his accountant that they "present the cold, hard facts, which are of some help, but they have little knowledge of the field and its problems."

An interesting viewpoint in favor of bank and accountant advice was the following:

Always have relied on outside guidance—particularly on accountant and bank officers. Resources (suppliers) can be very helpful, although are too optimistic.

Virtually no criticism of bank-customer relationships was volunteered. However, one comment along this line did go as follows:

I feel that a more personal relationship should exist between banking institutions and business management.

Perhaps the respondent most appreciative of counsel from his bank was the owner of a printing establishment, who said candidly:

Have carried all problems to the bank since starting in 1950.

In talking to customers about their financial practices, banks are asked at times by the beginning businessman about the importance of his furnishing a financial statement to the credit reporting agency. Many banks go to considerable effort to explain the advisability of the businessman cooperating with the mercantile credit agency reporter by giving him the facts and figures needed to establish the businessman's record fully for the benefit of current and future suppliers.

A substantial proportion of businessmen turn to banks for counsel, and appreciate the constructive advice which they receive.



Neil F. Roberts
Executive Vice President

F. M. Petersen
Vice President



George H. Alf
Vice President



R. C. Harper
Vice President



D. M. Whiteman
Vice President



Donald R. Ferrel
Assistant
Vice President



A NEW DIMENSION IN CORRESPONDENT SERVICE

*greater resources...
more personnel...
to serve you better*

On January 1st, new strength was added to western banking when the Denver National and U. S. National consolidated to become the new Denver U. S. National Bank with capital funds in excess of \$22 million and total resources of more than \$300 million.

This consolidation created a new dimension in Correspondent Banking Service. Greater resources... more personnel to give you personal attention... new equipment for faster service—all these things and many more now available to you as a Correspondent of the new Denver U. S. National.

We look forward to welcoming you to our new Denver U. S. National Center when you travel this way.

now, more than ever...

"that's the bank for my money!"



at the DENVER U. S. NATIONAL CENTER 17th and Broadway
MEMBER
F. D. I. C.

One of a series by the Company whose success depends on proprietor success.

An important added safeguard for bankers in modern bowling

Through its leasing of Automatic Pinspotters, AMF has been able to compile statistical information never before available to the bowling industry. The figures prove that *four major elements are essential for the successful operation of a bowling center.*

Bankers and officers of all lending institutions will be particularly interested in *the need for modern equipment*, one of the four essentials clearly established by business records from nearly 40,000 bowling lanes. For not only do AMF Automatic Pinspotters and related bowling equipment fully satisfy this requirement... in addition, the very nature of the rental arrangement, under which AMF Pinspotters are supplied, provides *an important added safe-*

guard for those advancing mortgage money for new bowling centers:

When a manufacturer supplies major equipment under a rental arrangement, *the manufacturer's continuing, long-term interest in the welfare and prosperity of each establishment is guaranteed.* This means that it is in the manufacturer's own best interest to advise the proprietor with great care in regard to site and many other important matters, and to service the equipment conscientiously and maintain it at peak operating efficiency at all times. This original and continuing interest is inherent in the rental arrangement, *since the manufacturer's success depends on proprietor success!*

The nature of the rental relationship, guaran-



teeing, as it does, never-failing, *continuing* interest and concern on the part of AMF, is a tremendous added safeguard from which bowling proprietors and lending institutions alike can benefit.

Location, adequate financing and competent management are other elements essential to success in modern bowling. Other advertisements in this series are devoted to each of these important subjects.

AMF and its Franchised Dealers are actively seeking new locations and individuals meeting the requirements mentioned immediately above. Financial institutions contemplating the advancement of mortgage money for new bowling centers are urged to communicate with AMF for reliable information.

AMF PINSPOTTERS INC.

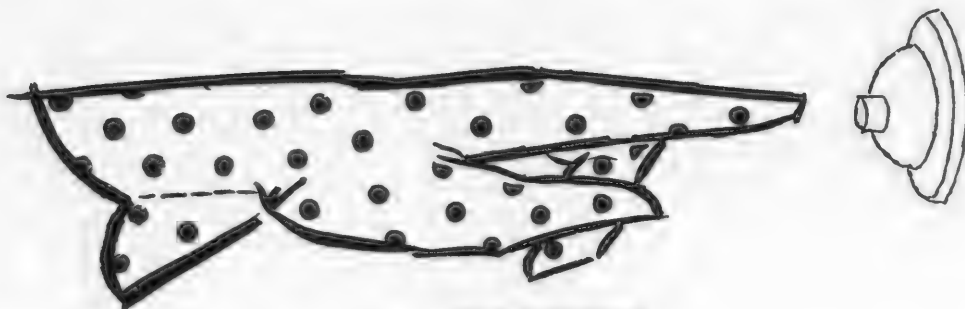
Subsidiary of AMERICAN MACHINE & FOUNDRY COMPANY
AMF Building • 261 Madison Avenue • New York 16, N. Y.

BOWL WHERE YOU SEE THE



TRADEMARK AND SERVICE MARK OF AMF

INCREASE YOUR BUSINESS



WITH Polk's Person-to-Person Call Plan

R. L. Polk & Co., in step with progress, now offers a service to meet the needs of the new era in banking. POLK'S new Bank Business Development Division offers a service that pinpoints the sale where decisions actually take place . . . in the HOME! POLK reaches out for you and obtains maximum sales in the bank service market. Your own officer-call programs have proved that the most effective way to sell bank services is person-to-person. POLK'S Person-to-Person Calls will turn "market potential" into active CUSTOMERS for your bank. Write, wire or phone CHapel 2-3439 for complete details.



R·L·POLK & CO.

publishers

130 Fourth Ave., North
Nashville 3, Tennessee

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

Business Building Bulletin

APRIL 1959

IDEAS AT WORK

Banks Back Move to Replace "Old" Glory

THE banks of Aberdeen, S. Dak., want to be sure that new star appears in the flag next Fourth of July, and their plan is being greeted enthusiastically from Main Street to Capitol Hill. The plan—giving a 50% discount on a 49-star flag when a 48-star one is offered as a trade-in—was proposed by E. C. Pieplow, assistant vice-president and public relations director at the First National Bank of Aberdeen.

The three banks in Aberdeen are behind it along with local merchants. The Sydney L. Smith Post of the American Legion pledged its cooperation and sent the resolution to headquarters for consideration at the national convention. And word has been received from Senator Karl Mundt's office indicating a desire to participate.

Here's how it will work. The merchants who sell flags will provide a

25% discount and the local banks will shoulder the other 25%. When an order is placed with the sales committee the customer pays half-price plus an old flag and gets a certificate of purchase good with any merchant. After the campaign the merchants turn in the certificates they've collected to get the 25% credit pledged by the Aberdeen banks.

The 48-star flags will be dedicated and burned at a ceremony on November 11, and the ashes will be sent to the state capital. From there token ashes will go to the Unknown Soldiers' graves in Arlington National Cemetery.

The sales details are being handled by a group of Aberdeen businessmen and the ceremonial matters by the American Legion.

(P.S. The plans are flexible enough to cover Hawaiian statehood.)



First Wisconsin National Bank, Milwaukee, has a helicopter that's transporting personnel, hauling cash, and making possible aerial inspection of real estate developments and fast visits to big commercial customers. One of its jobs is to transport executives between Milwaukee and Chicago. Pictured is Pilot Bob Roth

Bank Wins Top Award of Freedoms Foundation

FOR the first time a bank has won the Freedoms Foundation's Top Award for local advertising on "The American System."

John S. Stubblefield, president of The Peoples State Bank of St. Joseph, Mich., received at Valley Forge ceremonies the encased George Washington Honor Medal "for outstanding achievement in bringing a better understanding of the Ameri-

The "Ideas" Section of BANKING's Business Building Bulletin is by JOHN L. COOLEY.



A dog show and a bridal style show packed 'em in at New York's Manhattan Savings Bank. The styles were displayed against a background of flowers and music, the dogs in a professional ring. Big crowds saw both shows, held in successive weeks in the bank's lounge

can way of life." The bank's ad campaign consists of a series on American holidays. The purpose, says Mr. Stubblefield, is to develop a better understanding of all the holidays by stressing the original concept and significance of each. The ads, appearing in area newspapers, are presented "in the community interest" by the bank's officers and staff. They supplement the regular commercial advertising.

The award was based on the first seven of 14 ads. All were prepared by the Peoples State's public relations counsel, Harry Coleman & Co., Chicago.

Bus Helps Carry Bank's Ads Around City

A BRIGHTLY painted bus is helping carry advertising messages of Zions First National Bank in Salt Lake City.

Part of a program that also includes outdoor bulletins, car cards in city buses, and testimonial newspaper ads, the bank's vehicle is multi-colored. The top is blue, with a 20-foot black arrow containing the bank's name. One side is yellow, the other a deep red; on each is a 3-D removable cutout. The vehicle, of course, has high visibility, even to people in the office buildings.

The bulletins are located on the main traffic arteries leading into the downtown area. Sales messages are delivered by cutouts similar to those on the painted bus and also on car

Admiral Arthur W. Radford, *left*, presents Freedoms Foundation 1958 top award to John S. Stubblefield, president of The Peoples State Bank of St. Joseph, Mich. The presentation took place at Valley Forge, Pa. It was the first time a bank had won the honor



cards in Salt Lake City's regular buses. Ten designs are being rotated monthly on the boards, which also display the bank's permanent slogan, "See Zions First National First."

The outdoor campaign was developed to meet modern needs: a majority of the bank's customers come from areas surrounding the heart of the city where the three offices are situated.

What to Do About All-Day Parkers

WHEN The Bank of Virginia opened handsome new quarters in Petersburg it soon found that the convenient parking lot was being used all day by some motorists, not all of whom were regular customers.

To handle the awkward situation in a friendly way, the bank designed inexpensive cards which it placed on the cars of all-day parkers. A cartoon represented the new building as baffled by the autos that had overstayed their intended leaves, and added a light touch to the following copy:

"Of course we're delighted to have everybody use this new parking lot while transacting business within the bank. It is made available for just that purpose.

"So that there can be room for bank customers, use of parking space is limited to time within the bank. Please cooperate."

Vice-president George R. Dupuy says that the number of day-long visitors has been reduced without apparent illwill.

Walter Lamar Webb, *left*, president of Zions First National Bank, and Ames Bagley, vice-president in charge of public relations and new business, show the first of a series of car cards that match the 3-D design on the side of the bank's painted bus



Nine model bedrooms were displayed in the basement exhibition hall of New York's Union Dime Savings Bank. Co-operating were Pepperell Manufacturing Co. and the magazine *Living for Young Homemakers*. Pictured is Julie Newmar, Broadway star, who attended the opening



Seven Keys to Savings Account Business

How to attract savings accounts is a perennial problem and every year the A.B.A. Savings and Mortgage Development Committee looks for new answers. One of the committee's "thought starter" questionnaires—a method of informally reporting promotion ideas used by banks—produced several which have been passed along by Chairman C. Arthur Hemminger, vice-president, First National Bank in St. Louis.

Double Dollar savings accounts have brought a lot of business to the First National Bank of Fort Worth, reports President Murray Kyger. This variation of the life insurance-savings plan doubles the savings balance on the death of savers who authorize it. The insurance premiums are paid painlessly by the saver through his agreement to accept a slightly lower interest rate. "The double indemnity feature makes a strong appeal to customers who are interested in providing for the future welfare of their families," says Mr. Kyger.

Over-the-limit bond buyers—those who wish to buy more than the annual \$10,000 limit of Series "E" bonds—are steered to the savings department in the First National Bank of Fort Worth. The suggestion is made, and frequently followed, that they put the money in a savings account until the following year when they'll be eligible for additional "E" bond purchases. It also applies to people who want to accumulate money to buy a bond of large denomination. The happy outcome in many cases is that the depositor finds he's just as well off with a savings account and leaves the money on deposit.

Special checks in attractive colors catch the eye of checking account customers when they receive them along with receipts and new deposit slips. The checks are actually savings authorizations made up in check form. They've been highly productive in building up the bank-by-mail savings service at First National Bank of Fort Worth.

Precredited balance of \$1 is entered in savings passbooks which are presented to selected people in a program described by Ralph F. Bagwell, vice-

president of The Bank of Virginia, Richmond. "All the passbooks were delivered during the course of personal calls," says Mr. Bagwell. "In the last few months we delivered more than 1,200 precredited passbooks. The deposits in these accounts soon reached an average of about \$100."

Overlooked services are worth investigating, adds Mr. Bagwell. His case in point: an automatic savings program that had existed without nourishment for 12 years. Then it was named "special of the month," the staff was reintroduced to it, a promotional program involving cash awards was started, and three times as many automatic savings accounts were opened that month than "had been placed on our books during 12 years of negative selling."

ThriftySave is the name given to a club savings plan that's been tied in with checking accounts at the National Bank of Commerce in Lincoln, Nebr. "It has been attracting a large number of new savings customers because it makes saving easy and does not involve the use of a passbook," says Robert Wekesser, vice-president. The customers can make their deposits at any of the bank's six drive-in windows or any of the 24 commercial and savings teller windows.

A flannel board is always a good way to get across a message personally, quickly, completely, and with a visual-vocal impact. The A.B.A. talk, "It Pays to Save," was revised for flannel board use by the officers' speakers bureau of the First National Bank in St. Louis and presented to a number of interested audiences, reports the bank. It has been so well received that A.B.A. is now looking into the possibilities of making it available on a somewhat broader scale.

A demonstration of the First National's flannel board technique was given at the recent A.B.A. Savings and Mortgage Conference in New York by Oliver Chumchal of the bank's staff. Mr. Hemminger, in a talk, said that illustrated lectures "can be an invaluable aid to savings development."

Chicago Bank Sets Up Business Fellowship

THE American National Bank and Trust Company of Chicago has established a fellowship at the University of Chicago Graduate School of Business. Announcement was made by Lawrence F. Stern, the bank's chairman, and W. Allen Davis, dean of the school.

The grant, designed to aid young men interested in finance, will be made annually by the school's Com-

mittee on Scholarships and Fellowships. Provision for summer work at the bank is included, as well as \$2,000 a year for two years to meet tuition and other costs.

Any undergraduate whose permanent residence is in the Midwest and who is currently studying at a recognized college or university will be eligible; the only restriction is that the recipient concentrate on finance. It is expected that the student will work toward a master of business administration degree.

Doctors Guests at Finance Forum

THE First National Bank of Montgomery, Ala., was host to approximately 100 doctors at a finance forum. Guests included medical personnel from Maxwell and Gunter Air Force Bases. The bank's president, Walter Kennedy, presided.

A social hour and dinner preceded the discussion period. Officers of the bank talked on lending policies, management of personal finances, in-

vestments, estate planning, and retirement programs for the self-employed. Mr. Kennedy stressed the importance of financial planning.

Other speakers were William S. Farmer, senior vice-president; J. D. Jolly, vice-president and senior trust officer; J. Warren Andrews, vice-president; and J. Allen Reynolds, Jr., trust officer.

Bank's Contest Meets Three Goals

THERE were three aims in the 75th anniversary celebration of the First National Bank of Tarkio, Mo., and its tailor-made contest was designed to meet all three.

First, it wanted to call attention to the bank's 75th birthday. Second, it wanted to contribute to Tarkio College and bring it to the attention of high school seniors in the area. Third, it wanted to expand its services in the community and increase goodwill toward the bank.

The kick-off came with a letter from President Claude A. Templeton to every high school senior in the area. He called attention to the contest, briefly stating its purposes and rewards. A return card was enclosed for those who wanted more information.

An informal dinner was then held for those who expressed interest and the contest rules were carefully reviewed. Those who missed the dinner were invited to come to the bank and be briefed by the contest secretary.

The contest ran for seven weeks. During this period the contestants were credited on a point basis for each new customer (100 points) and each deposit by an old customer (10 points) from whom the contestant had obtained a signature. The effort of the contestants was to solicit signatures rather than sell specific

bank services. However, this effort provided an incentive for people to come to the bank.

First prize was a \$1,600 scholarship to Tarkio College and there were 15 other prizes ranging from a \$100 U. S. Savings Bond down to a \$25 U. S. Bond. A contestant had to score at least 500 points to be eligible for a prize.

Four Banks Get Awards for Outdoor Ads

FOUR banks were among the winners in the 7th annual local outdoor advertising contest sponsored by the Outdoor Advertising Association of America, Inc.

First National Bank, Little Rock, Ark., won third award in Campaign Division 1, 24-sheet poster campaigns, one to three months. The series comprised graphic designs with copy lines keyed to illustrations of traffic signals.

Bank of the Southwest, Houston, won first and second awards in Design Division 3, 24-sheet posters (markets of 500,000 to 1,000,000

FPRA School

THE School of Financial Public Relations will hold its 12th resident session July 5-19 on the Chicago campus of Northwestern University. New faculty members are Kenneth K. DuVall, chairman and president of the Merchandise National Bank of Chicago, who will teach the senior course in management, and Harry J. Parker, director of Northwestern's Counseling Center and lecturer in psychology and education. He will give the freshman course in applied psychology. The school is sponsored by the Financial Public Relations Association in cooperation with the university.

population). Saving was the theme of the posters, which featured a squirrel (pictured), and an elephant design.

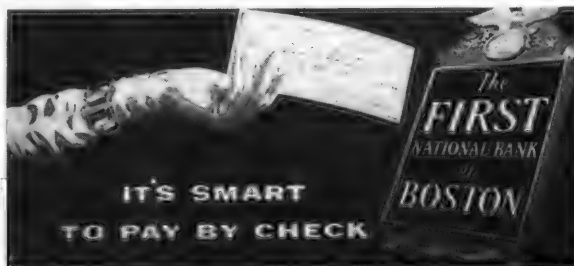
First National Bank of Boston got third place in Design Division

BANK WINNERS IN OUTDOOR AD CONTEST



Houston

Boston



Little Rock



Richmond



4, for 24-sheet posters in large population areas. (See cut.)

State-Planters Bank of Commerce and Trusts, Richmond, Va., won first award in Campaign Division 6, posters and painted bulletins combined in one campaign. Special checking accounts and auto and home loans were featured. (See cut.)

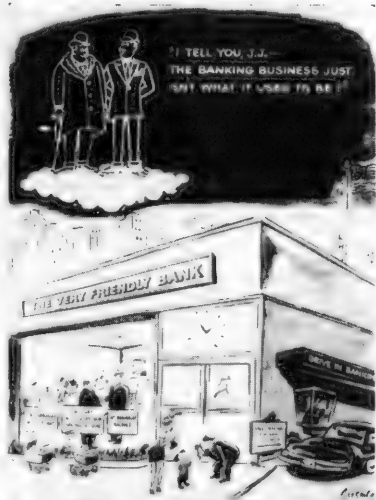
Ever Think of Asking Instead of Telling?

THAT'S what Citizens & Southern National Bank of Georgia is planning to do. All of its checking account customers have been getting seasonal reminder cards along with their statements four times a year.

Each card promotes a particular bank service and provides a reply card for those wishing more information. "We've found that a large number of customers use this to send in suggestions and air grievances that have nothing to do with the bank service featured," reports Margo Venable, assistant advertising manager.

The bank plans to reserve one of this year's seasonal reminders just for soliciting opinions and attitudes.

Girard Trust Corn Exchange Bank of Philadelphia, which pioneered in illustrating its annual report with cartoons that poke gentle fun at banking, added a new angle to its 1958 pamphlet. One section reviewed "the changing world of banking," reminding readers of ways in which the business has been "modernized, remodeled, and rejuvenated in the course of a single generation." This cartoon introduced the commentary



Title slide of PBA film

"Facts and Fiction About Your Bank"

THAT'S the title of a 20-minute speech, with visual aids, developed by the Educational Foundation of the Pennsylvania Bankers Association.

The talk covers the common misunderstandings about banks, and corrects them. The film strip includes a cartoon about each.

Three of the slides are pictured herewith.



"Here's a character we used to see a lot of in the funnypapers—the rich, rich banker with bagsful of profits." Facts are, says the script, bank earnings average about $\frac{1}{2}$ of 1% net profit on the assets, that most of a bank's money belongs to the depositors, etc.



"Oh, my, how the money rolls in! Or does it? What is the story of service charges?" The script goes on to tell it

TIMELY TOPICS

NEW FILM. Prints of the new A.B.A. film "A Man to Know" can now be purchased directly for local sponsorship by Association member banks and bank groups. The picture, released exclusively for television last fall, dramatizes commercial bank services and helps build a friendlier image of banks and bankers. It was produced by the Public Relations Council.

TIMELY. A special study, "Alaska—Frontier for Industry," by the economic research department of the Seattle-First National Bank, has

been distributed nationally. It's a revised version of a report issued five years ago. However, only the title and editorial approach are the same. Facts and photos are new.

PR MANUAL. The Virginia Bankers Association has published a new publicity manual, "Telling the Bank's Story." It was written by Robert B. McNeill, VBA's PR director.

Bank Rescues Woman's \$5,166

AN elderly spinster in the Bay Ridge section of Brooklyn, N. Y., presented a withdrawal slip for \$5,000 to a teller in the Brevoort Savings Bank. She asked for cash. The teller, Mrs. Francis Sullivan, suggested a check, but the depositor haughtily said: "You don't give checks to friends."

To compress a long story—a too familiar one—it developed that the woman had been advised by a fortune teller to ward off evil spirits by wearing money close to her heart. She withdrew \$166 from the savings account, but the gypsy said this wasn't enough for the cure. Back to the bank went the woman for her remaining \$5,000.

Vice-president Terence P. Smith told her the facts of life about certain gypsies and persuaded her to tear up the withdrawal slip, and to redeposit the \$166. Mrs. Sullivan was commended by the bank's president, Richard A. Brennan.

ADS and AIDS that sell SERVICES

Presenting a New Type of Bank Statement Enclosure!

It's something like a miniature house magazine—yet you don't have to obligate your bank for any subsequent editions.

It's an enclosure that people will read—because it is much more than another advertisement.

It's a "soft-sell" sales piece on auto loans—and it is a goodwill-builder also, with helpful tips about other money matters.

It's based on a tested formula and format used successfully on a monthly basis in the business field—but you can order it on a "single-issue" basis.

The 6 pages of *Timely Money Tips* are packed with pithy paragraphs that invite reading: Thoughts and information on saving, on managing money, on sound borrowing . . . a provocative quiz, a cartoon, a joke or two—and the back cover features a forceful ad on your bank's auto loans.

Your order for this first issue will not obligate you for future editions. However, if yours is the first bank in your city to place an order now, you will have first call on future issues prepared from time to time.

TIMELY MONEY TIPS

Published now and then for our depositors

IN THIS ISSUE

- ★ Saving For Vacation
- ★ When Should You Borrow
- ★ Managing Your Dollars

BANK NAME GOES HERE

Sample (giving quantity prices) and order form sent promptly on request.

Each month, new A.B.A. bank advertising material is prepared. For samples of other currently available direct-mail folders and blotters on banking and trust subjects—plus full details, including quantity prices, and order forms—simply write the A.B.A. Advertising Dept., 12 East 36 St., New York 16, N. Y., specifying subjects in which you are interested.

ADS and AIDS that sell SERVICES

A.B.A. "Economy" Advertising Aids

Answering the need of banks with small advertising budgets for effective—and economical—business-building tools, your A.B.A. Advertising Department now offers outstanding value in the materials described and illustrated on this page.



WE WERE PLEASANTLY SURPRISED! Jim and I didn't realize how quick and simple it is to finance a car the bank way. Economical, too—saved us a lot of money!

FINANCE YOUR NEXT CAR HERE WITH A LOW-COST AUTO LOAN

If imprint is desired,
BANK NAME HERE

IN-1



"WE WERE PLEASANTLY SURPRISED! Jim and I didn't realize how quick and simple it is to finance a car the bank way. Economical, too—saved us a lot of money!"

**IF YOU ARE GOING TO FINANCE YOUR NEXT CAR
—SEE US ABOUT A LOW-COST BANK AUTO LOAN!**

9-AS-1

6 NEW "ECONOMY INSERTS" (one of them shown above)—for statement enclosure or lobby distribution—feature eye-arresting photos of girls, babies, animals. Conversational captions are in a light vein, yet advance substantial arguments for using your bank's services.

Subjects covered are savings, checking, safe deposit, auto loans, home repair loans. Inserts measure $3\frac{1}{4}$ " x 6"; are printed in dark brown ink—2 inserts on blue paper stock, 2 on pink stock, 2 on tan.

As a result of the most careful planning, it is possible to offer these outstanding inserts for *just a penny apiece!*

A MATCHING SET OF 6 NEWSPAPER ADS (one of them shown at left) is also available. Publication of these ads in conjunction with distribution of the inserts will give your money-saving new-business campaign more impact and emphasis; greater effectiveness. Ads, ready for your newspaper to add your bank's signature, measure 2 columns x 8"; are supplied in complete mat form.

Samples, details, and order forms sent on request: Simply write the A.B.A. Advertising Dept., 12 East 36 St., New York 16, N. Y., specifying material in which you are interested.

New A.B.A. Manual: Bank Shareholder Relations

BANK *Shareholder Relations*, No. 15 in a continuing series of business development and public relations manuals produced by the Public Relations Council of the American Bankers Association, will become available for purchase by member banks and bankers in April.

The new manual is a concise, easy-to-read, and easy-to-use study of the relations (particularly communications) between banks and their shareholders.

Order forms for the new manual, which sells for 85 cents per copy to cover production and distribution costs, may be obtained on request from the Public Relations Council, A.B.A., 12 East 36th Street, New York 16, N. Y. Telephone is MUrray Hill 5-5100.

Contents

- Bank shareholder relations today . . . why a bank shareholder relations program . . . what do shareholders want . . . need for a minimum program.
- Ingredients of a bank shareholder relations program . . . annual report . . . quarterly or semiannual report . . . dividend inserts . . . special letters . . . annual meeting . . . postmeeting report . . . letters of welcome to new shareholders . . . letters to shareholders who sell their stock . . . personal calls on shareholders . . . speeches, news releases, articles . . . obtaining shareholder reactions.
- Shareholder relations self-audit . . . checklist of shareholder relations ideas . . . shareholder relations aids and sources.
- Annual report coverage includes style . . . size . . . cover . . . inside cover . . . president's letter . . . "additional comment" section . . . photographs . . . charts . . . centerspread . . . statistical information . . . time table . . . distribution . . . envelope.

Guides for Banks

Public Relations Council manuals are an authoritative source of essential public relations information for banks. They are not only guides for bank management, but also serve as aids for bank personnel immediately concerned with business development and public relations activities.

Nos. 1-14

Other manuals in the Public Relations Council series include:

- No. 1—*Planned Public Relations*. Guide for bank public relations planning.
- No. 2—*There's News in Your Bank*. Guide for bank publicity and press relations.
- No. 3—*Your Bank's Advertising*. Guide for bank advertising.
- No. 4—*Personnel Relations*. Public relations approach to bank personnel management.
- No. 5—*Your Bank's Relations with Schools*. Guide for successful bank-school relations. (Being revised. Will be available later in 1959.)



A.B.A. President Lee Miller, seated at desk, left, president of the Citizens Fidelity Bank and Trust Company, Louisville, Ky., was recently interviewed by Dave Garroway, right, on the NBC Television Network program, "Today." This interview was arranged through the A.B.A. Public Relations Council as another phase of its national mass consumer education program

- No. 6—*Customer Relations*. Guide for bank relations with customers.
- No. 7—*Building for the Future with Farm Youth*. Guide for banks in working with rural youth.
- No. 8—*Your Bank's Community Relations*. Guide for bank service to the community.
- No. 9—*Finance Forums for Women*. Guide for bank-sponsored forums for women (adaptable for other groups).
- No. 10—*Building Savings Deposits*. Guide for expanding bank savings business.
- No. 11—*Helping Farm and Ranch Families Succeed*. Guide for service to farmers and ranchers.
- No. 12—*Business Development Through Officer Calls*. Guide for a bank officer call program.
- No. 13—*Television for Banks*. Television facts and ideas for banks.
- No. 14—*The Banker Speaks*. Guide for public speaking by bankers.

Projected Manuals

Subjects on the Public Relations Council "drawing board" for future manuals include: Banker writing, human relations in banking, bank sales program, staff selling, point-of-purchase advertising, business development program for country banks, building mortgage business, building instalment credit business, building trust business, radio for banks, banker-government relations, and application of the management process to business development and public relations. The latter manual, tentatively entitled *The Problem Solver*, is scheduled for fall release as No. 16 in the series.



BUILDING BOOM is under way in San Francisco Bay Area with 40 new major buildings planned, started or just completed — a half billion dollars in new construction.

EVERYTHING GROWS IN CALIFORNIA!

Population...payrolls...products... farm output — all **up** in California! And right in the center of this booming area is Crocker-Anglo National Bank. Full of energy and financial fuel, Crocker-Anglo is helping California grow...and growing with it. More than 75 offices now blanket Northern and Central California — eight new ones just last year. In deposits, an all-time high — over one and a half billion dollars. Naturally, all this activity generates enthusiasm in our personnel — from trainee teller to top man. Result: service that is fast...friendly...and dependable. We'd like to put this enthusiasm to work for you. May we get together soon and talk about it?

BANKING BOOM means more offices for Crocker-Anglo. Adults — and children, too, (above) — turn out en masse for each new office celebration. Already opened this year are four new banking centers in Sacramento, Redwood City, San Jose and Mountain View. More on the way.



BUSINESS BOOM keeps Crocker-Anglo's Business Development staff on the go. Huddled below are (left to right), Vice Presidents Ferd R. Stent, Irving Manning, Walter F. Winrott, Jr.

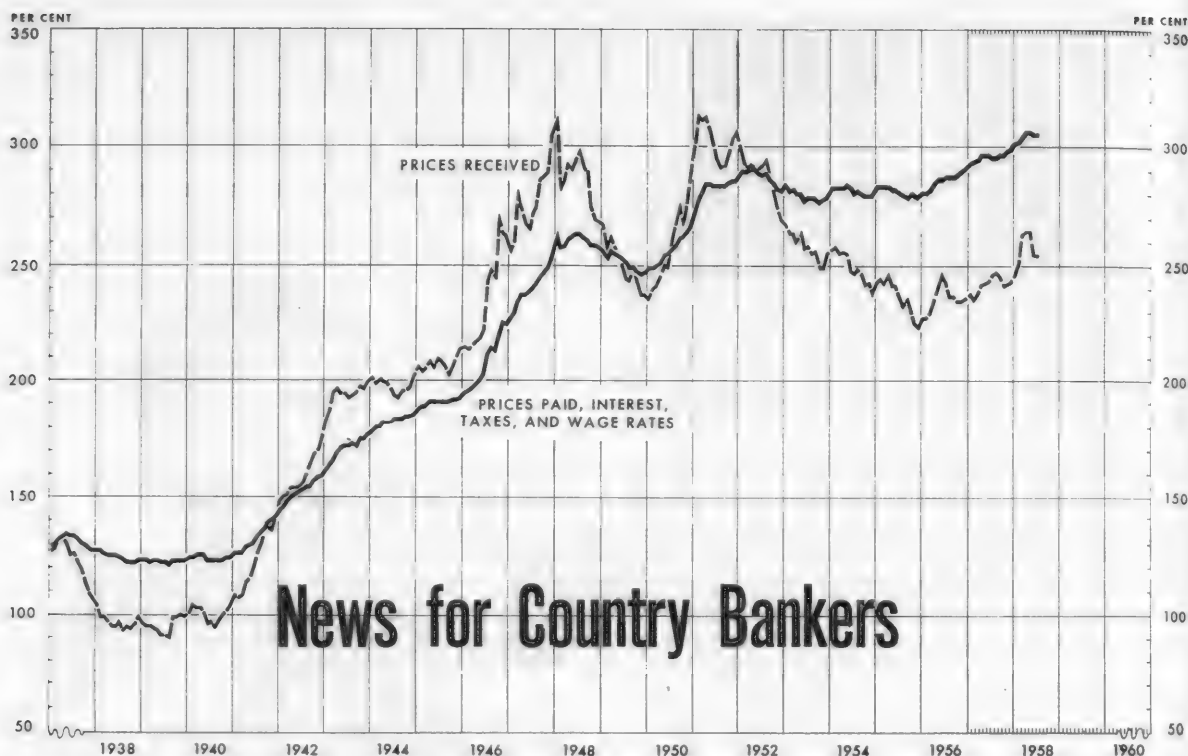


California's Oldest National Bank

Assets over \$1,650,000,000
Capital funds over \$117,500,000

ADMINISTRATIVE HEADQUARTERS
1 MONTGOMERY STREET, SAN FRANCISCO 20

MEMBER
FEDERAL RESERVE SYSTEM
FEDERAL DEPOSIT INSURANCE CORPORATION



PRICES PAID AND RECEIVED BY FARMERS—"Between 1939 and 1952 the index of prices paid by farmers, including taxes and interest, more than doubled," says Secretary Benson. (Chart was compiled by the Federal Reserve System from Department of Agriculture data, 1910-1914 = 100)

News for Country Bankers

Dollar Erosion on the Farm... and Elsewhere

EARLY this year, President Eisenhower sent his annual Economic Report to the Congress. The report faces four-square to one of the gravest problems of our time—the threat of disaster inherent in continued inflation.

After reviewing the encouraging progress in working our way out of the recession of 1957-58, the report looks ahead to the fundamental question of continued growth, on a stable and sustainable basis.

"Our objective must be," the President said, "to establish a firm foundation for extending economic growth with stable prices into the months and the years ahead."

He pointed out that this will not come automatically.

Inflation's Persistent Threat

We face many challenges, many problems, in building toward the full potentials of this great and choice land. One of the most urgent

EZRA TAFT BENSON

Secretary of Agriculture
Washington, D. C.

of these is the persistent threat of inflation. The course of inflation is subtle, but its ends are destructive. It mounts quietly, almost unseen in the short-term view, but it is utterly devastating over time.

Let me cite from the record. In terms of consumer prices the 1940 dollar has eroded away to less than a 50-cent dollar—a more than 50% loss of value in less than 20 years. A family earning over these years a fixed income of \$4,000 now has purchasing power of less than \$2,000. What once provided comfort, now buys bare existence. The purchasing power of a savings account or a life insurance policy has similarly eroded away.

Nearly two-thirds of this loss has been due to war.

The 1940 consumer dollar lost 28 cents of its value by 1946.

It lost 13 cents more in the five years from 1946 to 1950—which was not a time of war.

It lost another 6 cents between 1950 and 1952, during the Korean conflict.

And it has lost 6 cents in the past six years.

That is a total of 53 cents in 18 years.

President's Stand on Spending ... A Balanced Budget

These are some of the reasons the President has called for tight reins on Government spending, and for a balanced budget—and why he has called upon all of us, as citizens, for self-discipline in our economic actions, both as individuals and as groups. Government alone cannot win the battle against inflation. This battle can only be won by the united efforts of the American people—

business, labor, banking, agriculture, and all economic groups.

If we cannot balance our Federal budget now, when we are drawing strongly out of the recession—when we are pointing toward a new all-time high of economic activity—both we and the world at large can properly be concerned over whether we will ever balance it. Our responsibilities at home and in the world require integrity in our fiscal operations, and stability in our money, along with continued economic growth and abundance of production.

Fundamental Questions

This brings us to some fundamental questions:

How much can government—any and all levels of government—tax its citizens without depressing the incentives to produce, to take risks, or even to invest the capital upon which continued economic growth depends?

A strong case may be made that some of our taxes already have gone beyond the point of diminishing returns.

About 25 years ago, the Federal Government received one-fourth of all taxes collected in the United States. Now the Federal Government takes three-fourths of all taxes collected. And recently, our total taxes have been taking about one-third of our National income. Our expanding Federal Government has boosted the average family's tax bill from \$120 to \$1,600 a year.

Should We Spend More Than We Collect in Taxes?

How much should government spend, except in grave emergency, beyond what it collects in taxes?

The answer varies somewhat with the amount of deficit, with how active the economy is when the deficit is incurred, and with how the deficit is financed. But in an active economy, with large demands for the available quantity of capital, there can be little or no deficit without causing inflation.

Budget deficits in a high-level economy are parallel to an overload thrown upon a bridge. The bridge may break down. The economy, in parallel circumstances, breaks down also—or rather “breaks out” in the sense of finding relief from pressure in inflation. The closer the economy is to full output, the greater is the

inflationary consequence of each dollar of budgetary deficit.

Can wage rates be boosted beyond the levels justified by productivity—without price inflation as a consequence? No!

How much may prices rise for whatever reason—without unemployment resulting from consumers' refusal to buy?

How far can unemployment go without demands for Government spending—deficit spending—in order to re-employ those thrown out of work by the excessive labor costs or excessive prices?

It is the sum of such questions as these that has brought inflation to the forefront of our economic problems, and that has led to the Administration's present concerted stand on the budget and Government expenditures.

As the President said in his Economic Report, “Acceptance by the Congress of the expenditure level of the 1960 budget (a balanced budget) would be the most important single step in discharging Government's responsibility to help preserve the stability of prices and costs through prudent management of its own financial affairs.”

And yet many pressures are now being exerted by the spenders to add more billions to Federal spending in the coming fiscal year, and beyond—billions that can end only in proportionate deficits, and with further inflationary consequences.

Treasury Not Bottomless Grab-bag

Some people would have us believe that the Federal Treasury is a bottomless grab-bag which never needs to be conserved or replenished. Because of this attitude we have seen U. S. Government debt climb to dizzy heights. The Federal debt in December 1958 was \$283-billion—about \$7,000 per family in the United States.

This current fiscal year the Federal deficit is estimated at nearly \$13-billion—the Government is spending nearly \$13-billion more than its receipts. In other words, we are living far beyond our income.

Deficit spending, if continued, could lead us into the Russian trap envisaged by Lenin, who was reported to have boasted, “We shall force the United States to spend itself to destruction.”

Senator Harry F. Byrd, an out-

standing authority and statesman in fiscal policy, has recognized this danger: “Our free enterprise democracy is the greatest economic system the world has ever evolved. But there is one controlling requirement, and it must never be overlooked. The system is based on solvent government and sound money. It is in this requirement that we have allowed ourselves to become weak.”

Fiscal Integrity of Government

The fiscal integrity of our Government should never become a political football. And yet it has been made precisely that by those who have been pressuring vigorously for more spending, more deficit, and more inflation.

Continuing inflation discourages the saving and the capital investment essential to further growth. But among the spenders are some who are not averse to public capital going into productive ventures—on the premise that if private capital is not sufficient, the Government has to step in. *This is an open road to the destruction of private enterprise, and its replacement by a socialistic economy.*

I am firmly convinced that most Americans would never turn willingly to socialism. But a great many may unknowingly be led down that road by the lure of Government handouts, of deficit spending, of inflation, to the point where private enterprise is destroyed.

There are elements in our society whose actions—if not their words—indicate that inflation is actually their objective. To the degree that this is a conscious policy, it is not only short-sighted and selfish but almost criminal.

Inflation always hits hardest upon those who are economically and politically weak. Perhaps the strong—in contrast to the weak—could gain temporary advantages by redistributing the nation's productivity more into their own hands. But in the longer run, everyone would lose. We would fail progressively to achieve the potentials of the future economic development which otherwise we could attain but for which sound fiscal policy is a first and essential requirement.

Low Fixed-Income Families

Those who argue that a 2 or 3% inflation per year is good for the

(CONTINUED ON PAGE 122)

Challenge of Vertical Integration Financing

WALTER J. WILLS

"A widespread adoption of vertical integration would have far-reaching effects on local credit agencies."

DR. WILLS is chairman, Agricultural Industries Department, School of Agriculture, Southern Illinois University, Carbondale. This article is based upon a talk he made at the Farm Credit Workshop on the University's campus.

APPROXIMATELY 90% of the canning and frozen vegetables are grown under contract. Both sugar beets and sugar cane are almost entirely contract grown. Probably 95% of the broilers are grown under contract as well as a smaller portion of the turkeys and some eggs. There are an increasing number of cattle, hogs, and sheep produced under contractual arrangement.

The nature of the contracts varies with commodities. Such contracts run the gamut from assurance of a market outlet to practically complete supervision where the producer in effect furnishes only labor or labor and land and buildings.

Advantages to Farmer

From the farmer's viewpoint, there are several advantages to vertical integration:

(1) This system of operation usually provides him with a number of management services. Frequently, the size of the operation is established. The timing of the major activities is specified. Rations, breeding stock, seed, fertilizers, breeding dates, planting dates, etc., are determined. Periodic visits by qualified fieldmen give management assistance. The major management decision is whether or not to enter into such a contractual arrangement.

For a farmer who has difficulty in making up his mind, this management assistance is invaluable. For the farmer weak in management, such a program is also of major importance.

(2) Financial assistance is frequently provided. The integrator may finance breeding stock, feed purchases, or other operating credit requirements for the successful completion of the integrated project. This type of credit aid is often particularly helpful in areas where farmers have underemployed resources.

Observation in many areas and in many operations leads to the conclusion that many farmers look upon note credit as undesirable but open account credit (and integrator credit in many respects has the same characteristics as open account credit) does not have the same undesirable connotation to them.

(3) The third major advantage of integration to many farmers is that many contracts assure them of a market outlet. While these contracts often do not guarantee a price, they guarantee a buyer who will accept the product on some predetermined pricing basis.

Frequently the decision of when and where to market is made by the integrator relieving the producer of this responsibility.

For a supplier of farm production items, integrated operations may be a primary means of developing a continued, assured product market.

There are many pricing implications to integration. There may be some social implications. Marketing implications are many. Specification buying may become commonplace. These are beyond the current discussion.

Credit Implications

A widespread adoption of vertical integration would have far-reaching effects on local credit agencies. In many of the less developed areas, there could be a greatly increased demand for longer-term credit to build new facilities, fence, concrete feeding floors, pasture improvements, and the like. At the same

time, there could be a reduction in short-term operating requirements to take care of feed and other purchases as the integrator might be furnishing these. Most creditor agencies like to keep a balance between long- and short-term loan commitments.

Many credit agencies have accepted the idea that a total farm credit plan, with credit from both a short-term agency and a long-term agency, is desirable. This avoids conflicts of interest and makes possible a closer coordination of farm management and farm financial management. It is not inconceivable that an integrated farm operation would include a contract on hogs, another on feeder cattle, still another credit for crop production and for land, and an additional source for facility improvement. This could readily provide the basis for complaints about split financing.

Repayment Capacity Important

The one factor of particular interest is repayment capacity. The extent to which credit agencies would rush in to provide facility loans or crop production expense when repayment is primarily from an enterprise financed and managed by someone else may be limited. The integrator would be in a position to "get his first." Repayment capacity has always been the one factor that kept loans liquid. Unless the credit agency has a close working relationship with the integrator and the farmer, you may not be in a position to finance integrated operations.

In a highly integrated industry you may well find you can no longer finance a nonintegrated segment because of the nearly nonexistent returns above cash costs for the independent operator. In addition, many independent operators may have difficulty developing satisfactory market outlets.

(CONTINUED ON PAGE 78)



Now mailing to 59,149 share owners



The story of Allis-Chalmers essentially is the story of POWER . . . the creation of Power, the application of Power, the never-ending search by the Company for ways to improve its own powers of production and thereby better its product lines.

In terms of this pattern, the Allis-Chalmers Annual Report, now being mailed to 59,149 share owners, presents a broad outline of accomplishments of the Company in 1958.

HIGHLIGHTS	1958	1957
Sales and Other Income	\$535,165,825	\$537,191,443
All Taxes	33,189,603	28,489,381
Earnings	19,657,958	17,819,251
Earnings per Share of Common Stock	2.34	2.11
Dividends Paid per Share of Common Stock	1.25	2.00
Shares Outstanding		
Preferred stock	103,635	103,635
Common stock	8,216,016	8,214,281
Dividends Paid		
Preferred stock	422,831	465,598
Common stock	10,270,016	16,374,763
Share Owners' Investment in the Business		
Preferred stock	10,363,500	10,363,500
Common stock	162,088,166	162,055,251
Earnings retained	135,354,664	125,108,613
Total share owners' investment	307,806,330	297,527,364
Book Value per Share of Common Stock	36.20	34.96
Working Capital	263,557,034	257,661,251
Ratio of Current Assets to Current Liabilities	4.82 to 1	4.07 to 1
Number of Share Owners		
Preferred stock	802	655
Common stock	58,347	56,071
Employees		
Number of employees	32,364	35,799
Payrolls	172,093,408	187,590,363

ALLIS-CHALMERS serves our nation and the growing world through the many domestic plants and offices shown here—and through the world wide facilities of Allis-Chalmers International.



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ALLIS-CHALMERS POWER FOR A GROWING WORLD

The West Main Street Office of First Troy (Ohio) National Bank & Trust Co. is one of the nation's most modern, efficient banks. It opened in August, 1958.

THE First Troy National
BANK AND TRUST CO.



"Let's keep our money in town!"

We hear that statement every day from New Quarters Committees.

And we agree. That's why we make sure that the bulk of your new quarters construction dollar is spent right in your own community.

Take First Troy National, or Second of Philadelphia's Lawncrest branch. They're typical. All but a few cents of every construction dollar was spent either *locally*, or went to national suppliers of such items as vault equipment, etc., unavailable locally. At Troy, 78 per cent of the building construction cost went to local suppliers, sub-contractors, and labor . . . at Lawncrest, closer to major supply sources, 93 per cent.

For the personalized supervision that helped make each project so successful . . . for the careful guardianship of client interests . . . Bank Building Corporation received but

a small fraction of the total cost of construction.

But even more important than its contribution to efficient, economical construction was the vital role of Bank Building's team of specialists in planning these projects. The success of these outstanding banks was assured right at the beginning by the creative talent and practical banking know-how of the world's topflight group of financial planners and designers. To their assignments, from the initial operational analysis to the last detail of interior planning, they brought the experience gained on over 3,400 completed financial projects . . . so that the final result combines beauty with maximum operating efficiency and minimum operating cost.

Write us today for a list of completed projects near you . . . projects where other bankers have "kept their money in town." There is no obligation, of course.

Bank Building Corporation
OF AMERICA

Another recently-completed Bank Building project . . . Lawncrest Branch, Second National Bank of Philadelphia.

ST. LOUIS • THE HAMPTON AVENUE
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Bank Building Corporation, International



NEWS *for Country Bankers*

Farmers Must Follow Example of Businessmen and Have Line of Credit for Technology Use, Says Douglas Graves

FARMERS have never been taught to use bank credit," said Douglas F. Graves, assistant vice-president, Chicago National Bank, at the Farm Managers Convention. He pointed out that "because some farmers dislike the formality of signing notes, etc., at a bank, salesmen and merchants have extended them book credit. This has resulted in heavy carrying charges and loss of cash discounts. There is not a merchant on the street who could stay in business if he disregarded cash discounts as does the farmer. Farmers must know how and when to use credit, and the merchants and farm managers must help them to use properly this tool of their business.

"Farming is big business and farmers are going to have to act like businessmen. This means they are going to need records, not only of income and expenses, but rather an analysis of the various parts of their farming operations. Bankers want to know what they have done and how they have done it, and see the results; in other words, farmers are going to find it increasingly difficult to borrow large sums unless they are prepared to present a cash projection or show what is needed and how it can be repaid."

Mr. Graves added that "agriculture has changed more in the past five years than in the previous 25. As a result many bankers have found it difficult to keep abreast of these changes in addition to the changes in banking. This rapidly changing agriculture has resulted in some bankers' unwillingness to finance the application of this new technology. A number of bankers have kept abreast of these changes by adding a technically trained man to the

staff. However, this solution has not always come up to expectations because bank management has continued to finance agriculture and extend credit on the same terms as it had in the past."

Continuing, Mr. Graves said that "in some areas where banks have failed to supply the full amount of credit needed, Government-sponsored credit agencies and industry have stepped in to supply the capital in the form of cash or credit for feed, fertilizer, equipment, etc. It is in these areas where contract farming has gained a foothold.

Credit Lack

"Today, many farmers need more credit than can be supplied by their local banks, and their banks in some cases are not helping them secure the additional credit. This situation exists because most metropolitan banks are not familiar with agriculture and have hesitated to help the country bank with the large lines of credit. This situation has caused some country bankers to discourage farmers from expanding.

"In industry and other business, it is an accepted practice to use bank credit from a few weeks to an entire year. Agriculture must develop a system of financing similar to industry which will permit farmers to use a revolving type of credit for year-round financing. Farmers need a line of credit to draw on as it is needed to purchase feed, live-stock, fertilizer, machinery, labor, etc.

"If this is the type of credit needed to put the new technology to use, it will be furnished by someone, and if the local banker wants this business, he must be set up to handle it.

"The following steps are suggested if these loans are to be made: (1.) Technical advice must be available to the bank. (2.) Bankers must maintain adequate credit files."

Blue Grass Bankers Want Grass U.S. Floral Emblem

THE Kentucky Bankers Association's resolution proposing that grass be made the national floral emblem was inserted in the *Congressional Record* of January 23 by Senator Thurston B. Morton of Kentucky. Senator Paul Douglas of Illinois had previously introduced a joint resolution which would make the golden corn tassel our national floral emblem.

Fewer Farmers and Fewer Acres Needed Today

THE revolutionary changes that are now going on in American agriculture are as dramatic and as meaningful for the nation as any taking place today and all of them deserve a better understanding and a more appreciative recognition than they are getting from the public, Lowell S. Hardin, head of the department of agriculture economics of Purdue University, said at the Midwestern Mortgage Conference of the Mortgage Bankers Association of America in Chicago.

"Through research, science, and technology farmers are modifying and partially controlling environmental forces. With the same labor force they are caring for more acres, more animals per man. Mechanization

(CONTINUED ON PAGE 82)

CANCELLATION

The Eastern States Agricultural Credit Conference scheduled for March 30-31 in New York was canceled on March 20 because of insufficient advance registration. Arrangements had been made jointly by the eastern state bankers associations and the A.B.A. Agricultural Commission.

This department is edited by MARY B. LEACH of BANKING's staff.

FEDERAL INSURANCE COMPANY

Fifty-eighth Annual Statement

December 31, 1958

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ASSETS

United States Government Bonds	\$ 57,806,251
All Other Bonds	31,151,284
Preferred and Guaranteed Stocks	5,478,140
Common Stocks	65,116,126
Stock of Vigilant Insurance Company	14,497,549
Stock of Colonial Life Insurance Co.	4,533,198
Cash	9,628,564
Premiums not over 90 days due	3,230,896
Other Assets	5,331,191
TOTAL ADMITTED ASSETS	\$196,773,199

LIABILITIES AND SURPLUS TO POLICYHOLDERS

Unearned Premiums	\$ 43,214,484
Outstanding Losses and Claims	29,548,911
Dividends Payable	1,543,958
Taxes and Expenses	6,342,993
Funds Held Under Reinsurance Treaties	3,063,579
Non-Admitted Reinsurance	5,145,531
TOTAL LIABILITIES	88,859,456
Capital Stock	12,351,664
Surplus	50,514,272
Unrealized Appreciation of Investments	45,047,807
SURPLUS TO POLICYHOLDERS	107,913,743
TOTAL	\$196,773,199

Investments valued at \$6,899,529 are deposited with government authorities as required by law.



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(CONTINUED FROM PAGE 80)

tion and automation means more output per man. Biologically, we have made the same acres and animals produce more. This, too, has meant more output per man. The result is that we need fewer farmers and acres to do the job."

Lincolniana Display

LINCOLN'S birthday was celebrated this year at The Salem National Bank in Salem, Ill., with a window display of Lincolniana and a distribution of free samples—a new Lincoln penny to each of the thousand or more people that stopped in on February 11 to get the souvenir.

The Salem National had on display a rare 1865 Currier and Ives steel engraving of Lincoln; a document of 1865, signed by Lincoln, granting certain lands in Wisconsin to a man under the provisions of an Indian treaty; door handle from a coach Lincoln used during the Lincoln-Douglas debates; and other articles.

The local newspaper and radio station gave the bank good publicity coverage.

Show New Profits from Fertile California Soil

BASED upon economic data supplied by the College of Agriculture of the University of California, an attractively illustrated booklet entitled "More Profits from Fertile Soil in California" has been published by the California Fertilizer Association and the National Plant Food Institute.

In a tribute to the California banks, the booklet states that the "banks have been a major factor in making California the leading agricultural state in the Union."

Vocational Education Grants

Low income problems of southern U. S. farm families, white and Negro, are "far too vast and deep-seated" to be solved by the present Rural Development Program, according to a statement by the Agriculture Committee of the National Planning Association.*

The statement points out that under the present program, emphasis has been placed on "only one



This Lincoln's birthday exhibit at The Salem National Bank in Salem, Ill., attracted wide attention and received good publicity coverage

essential ingredient of progress—local initiative and enterprise. The other essential ingredient—outside financial and technical assistance, both public and private—has been too often ignored and neglected."

The committee recommends "large increases in Federal appropriations and grants-in-aid for improved general and vocational education, for a much greater amount of supervised farm credit, for more special agricultural research and extension services, for more adequate labor-market information and employment services, and for better health facilities in rural areas."

Financing of these programs, though costly, could easily be achieved by diverting "a relatively small part of the amounts now expended on farm price-support programs," the committee states.

* 1606 New Hampshire Ave., Washington 9, D. C.

Review of A.B.A. Farm Film

IN the February issue of *Agricultural Leaders' Digest*, Dana Bennett prefaces a review of *Banking on Farmers*, the A.B.A.'s 18-minute, 16-mm film on general banking services to farmers, with a story of his "Auntie Mamie, an assistant cashier in a small town bank about the time of WW I."

"Happily," he states, "there have been some changes in these later years, and, while the film we review herewith is not filled with women bankers, it does present an honest and straightforward picture of today's rural banking."

"There is a genuine friendliness

about this film which makes it most attractive," he added.

Banking on Farmers is available for purchase by banks in black and white, without leader, at \$65; with leader, \$75. In color, without leader, \$175; with leader, \$190. The film is also available on a 7-day rental basis for \$10. Orders should be sent to Public Relations Council, A.B.A., 12 E. 36th Street, New York 16, N. Y.

Bulk Feed Conversion Financing Article

WRITING on "Financing Bulk Feed Conversion" in the February issue of *Bulk Feed*, Philip H. Wilkie, president of the Rushville (Ind.) National Bank, pointed out various ways in which feed dealers could utilize the services of their country banks. For example, he said:

"Probably the most important source of the funds you need is your local bank. How to sell your local independent country banker on providing you with the necessary money to convert to bulk handling is a matter of great importance to you and your business. You'll find your small town banker interested in you as a person. You may, however, have to educate him on the problems of your business."

* Published by Bruce Publishing Company, 2642 University Avenue, St. Paul 14, Minn.

Banker Writes on Farming

JUST published by Greenwich Book Publishers*: *A Banker's View of the Farm Managerial Problem*, by John I. Smith, farm representative and assistant vice-president, First National Bank, Fayetteville, Ark. Price \$4.75.

Mr. Smith begins his survey with a discussion of the role of the typical bank and its farm representative in relation to the farmer. He explains how the farm representative can give the best service to both agriculture and banking; analyzes the history and methods of farm credit, with recommendations as to how and when it should be extended.

He includes an examination of all the vital aspects of the farm problem and a discussion of attempts that have been made to improve the farmer's position in our economy.

* 489 Fifth Avenue
New York 17, N. Y.

Missouri University Chair of Banking

A DESIRE to pay tribute to the memory of a native-son banker, and the Missouri Bankers Association's feeling of responsibility toward higher education, have climaxed in the establishment of another Chair of Banking at an American University.

The banker so honored is the late Robert E. Lee Hill, executive manager of the Missouri Bankers Association from 1943-1957, after whom the chair has been named. A year ago January, Missouri bankers announced establishment of a special committee to raise funds for this testimonial to his memory.

The school recipient of the fund is the University of Missouri. Willis Alexander, Jr., executive vice-president, Trenton (Mo.) Trust Company, presented the \$32,000 which had been raised for the chair to University President Elmer Ellis at the MBA's Bank Management Conference held in Columbia, Mo., in late January. The fund, to be administered by the University's Board of Curators, will be used to supplement the salary of a full professor, yet to be selected. The selection will be made and a curriculum established by the time the school's new building is ready for occupancy in September.

In presenting the funds, Mr. Alexander remarked that Missouri bankers are hopeful that this new chair will "encourage students to specialize in courses that will fit them for positions in the banking field."

Many fine opportunities exist, he added, for the graduate who has had adequate training in banking, money and finance, credit, and economics.

Money may not bring happiness, but it helps you to choose your own misery.

An argument occurs when two people try to get in the last word first.

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 - How Canadians Live
 - Population
 - Social and Cultural
 - Canada's Government
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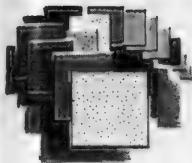
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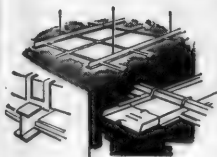
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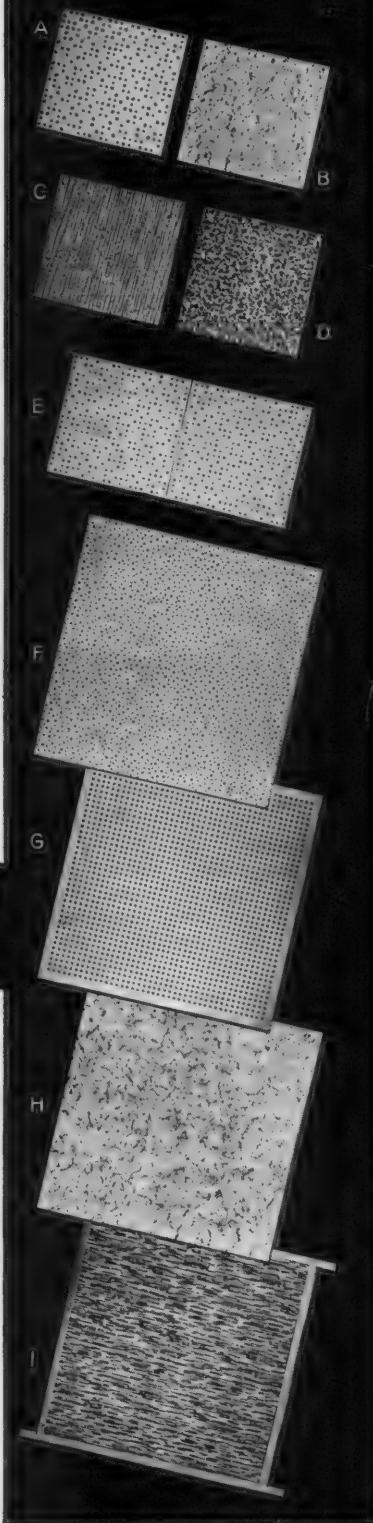
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Screening Personnel for Banks

While the assurance of the integrity of applicants for bank positions—from cashiers to vice-presidents—is particularly vital, banks do not have the unchallenged lead in the area of professional screening for job seekers.

NOEL BATES

The author is president of Bates Associates, White Plains, and president of Westchester Credit Bureau.

IN a survey of 25,000 cases investigated for American industry during the past two years, we find that bankers rank high, but not highest, in making certain the appearance of all pertinent background information before a hiring decision is made. Other vulnerable fields seek thorough employee "backgrounding" for various understandable reasons.

Financial houses are among the most careful. Oil companies, sending men overseas to work under trying conditions in political and climatic hotspots, demand information of personal habits and stability. Property managers, entrusting low-paid janitors with entry to apartments and offices in a building, absolutely require knowledge of any police records. But banks have been concentrating on credit ratings; on any existing litigation that would indicate a man can't handle his own money and shouldn't be enchained with or tempted by others.

Now Routine Procedure

Personnel investigation is not a new phenomenon in American industry. At one time it was more associated with antiunion activity than anything else, but today the professional investigation agency serving personnel directors and business heads is strictly a non-controversial service. It provides

the employer with facilities for informed judgment by turning over a complete background on any job applicant.

The way it works is very simple, but effective. Prior to employment a routine check in one of three categories will be requested by the employer. This is undertaken by the agency with its experienced investigators retained in every city in the world. The report is collated and checked in a central office and turned over to the employer without comment.

One report, called the "Comprehensive Police and Litigation," is the basic, low-cost survey which checks police and litigation records and the latest place of residence. It is used in industry for bench workers and clerks, but it's the most popular in the banking field interested in any arrest or serious credit troubles.

Another type, the "B" report, will survey a background for 10 years including all records of the CPL plus residences and employment. The "A" report is a lifetime check reserved usually for top executives, or even partners.

The importance of being able to get a personal investigation report from experts in any city—without paying a premium—was emphasized by a recent case we handled. Doing a routine CPL check on a teller for a large eastern bank, an investigator found the subject had worked under an assumed name in a midwestern city, and had an unreported arrest record for forgery.

In this instance the bank had

hired the agency only after the man had been refused bonding. When the report was turned in, three days after assignment, the teller had already tried to abscond with \$10,000.

Many bankers and industry leaders still misunderstand the role of personnel investigation. Our reports show that bankers use it as a spot check rather than as a steady routine more often than most industry leaders. And often, as in the above case, as a check after hiring rather than as a preventive before hiring.

One large bank in New York State has found it pays to get a background check of police, litigation, and residence records as a matter of routine. A man applied for a job in its loan department several months ago. His references from a Maryland bank in which he had worked close to seven years were good. He seemed quite well qualified, but we were called in to make the investigation which is routine with this organization.

In talking with an acquaintance of the applicant, our investigator learned he had worked for a short time in a South American city. This information appeared nowhere in his application or summary. We notified our agent in that city who, in less than 72 hours, reported that the prospective employee had departed South America leaving unpaid bills amounting to more than \$3,000 after less than six months of work there. He didn't get the job in that loan department.

Our records show that more than 87% of the 25,000 persons investigated have passed with flying colors in regard to honesty and integrity—without consideration of job skills.

Many Bank Uses for Investigations

While many banks feel that prior personnel investigation is an unnecessary expense, however small, all banking institutions require special investigations from time to time of loan applicants, principals in partnerships, and so on. Those using a routine personnel investigation have an important plus in that they can call on a service familiar with the bank, its standards, and its requirements.

As the acceptance of personnel investigation grows among banks, the instances of jeopardy to bank-trusted funds may be expected to decline.



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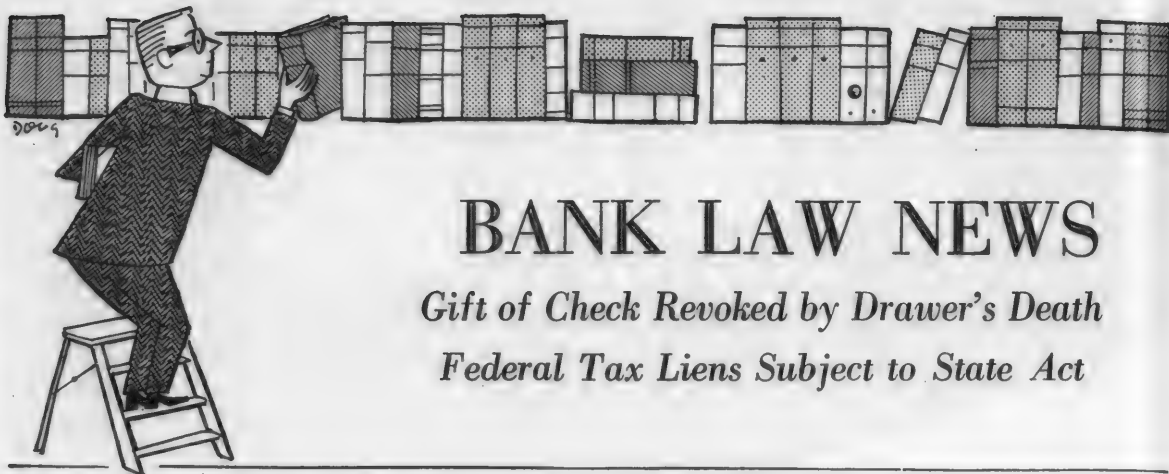
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BANK LAW NEWS

Gift of Check Revoked by Drawer's Death

Federal Tax Liens Subject to State Act

REVOCATION OF GIFT OF CHECK

Drawer's death before payment of gift check operates as revocation of gift.

GENERALLY, the mere delivery of a check does not constitute a valid gift. It is revocable at any time before payment or certification by the drawee bank. The death of the drawer, of course, operates as a revocation.

The Supreme Court of Arkansas applied these general rules in a recent case and held that, under the circumstances, the delivery of a check was not effective as a gift inter vivos or causa mortis.

On October 19, 1956, a check was drawn to the order of a named payee. A memorandum was inserted, by the drawer, on the lower left corner, stating that the check was payable "from my estate as mentioned in letter." The letter, dated the same day and signed by the drawer of the check, stated that it was to be paid out of the drawer's estate.

The check and letter were placed in an envelope, delivered to the payee, and were held by him until drawer's death, on March 7, 1957, after which the payee filed a claim against the drawer's estate for the amount of the check. The payee contended that the check, together with the letter, constituted a gift, either inter vivos or causa mortis. However, the court ruled otherwise.

There was no gift inter vivos because the form of the check indicated that the payee could not cash it at the time of delivery and, fur-

ther, there was no circumstance which eliminated the "element of revocability." From the date it was delivered, until the drawer's death, the drawer could have stopped payment on the check or could have revoked the letter.

There was no gift causa mortis intended because there was no evidence to indicate that the check was written in contemplation of death. *Dailey v. Adams* (Ark.) 319 S.W. (2d) 34.

NEW JERSEY LAW AND FEDERAL TAX LIENS

State court mortgage foreclosure judgment discharges mortgaged property of Federal tax liens recorded after filing of lis pendens.

THE Federal Government is given, by statute, a lien for unpaid taxes on all property of a delinquent taxpayer.

The question recently put to the Superior Court of New Jersey was whether the Government's lien, subordinate to a prior mortgage on a taxpayer's property, could be cut off in an action to foreclose the mortgage so that a purchaser at a foreclosure sale would take the property free of the tax lien. The court saw no reason for not answering the question in the affirmative.

The successful bidder at a public sale of foreclosed mortgage property caused a title examination of the property to be made. The title report indicated that after the mortgagee instituted foreclosure proceedings and filed a notice of lis

pendens (notice of pendency of action), liens for unpaid Federal taxes owed by the mortgagor had been filed against the mortgagor.

The bidder petitioned the court to be relieved of the bid on the ground that the property was burdened with Federal tax liens of which she had no prior notice or knowledge.

The court ruled that, by reason of the mortgage foreclosure judgment, the property was freed of the Federal tax liens. The New Jersey *Lis Pendens* Act, Stat. Anno., §2A:15-7, provides that after the filing of a lis pendens, any person claiming a lien upon the real property described in the notice shall be bound by any judgment entered in the action in which the lis pendens was filed, as though such lien holder had been made a party to the action and served with process. This act, said the court, was as binding upon the United States as upon any one else.

The court concluded that there was "no reason to hold that the lien of the Federal Government should be outside the scope of [the act] . . . on the contrary the filing of the lis pendens should as effectively cut off a subsequently filed Federal lien as it does any other lien." *Puritan Dairy Products Co. v. Christoffers* (N.J. Super. Ct.) 148 Atl. (2d) 223.

BRIEF NOTES ON OTHER CASES

Statute of limitations. In a case of first impression in Delaware, Superior Court held that depositor's cause of action, to recover from drawee bank moneys wrongfully (CONTINUED ON PAGE 90)



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PAID POLICYHOLDERS
AND BENEFICIARIES \$ 16,972,864

ASSETS.....\$ 171,779,931
Increase of \$16,182,321 over 1957

LIABILITIES.....\$ 150,598,972
Liabilities Include Policy Reserves

SURPLUS FUNDS
AND CAPITAL.....\$ 21,180,959



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(CONTINUED FROM PAGE 88)

debited to depositor's account as result of payment of checks bearing forged endorsements, did not "arise from a bill of exchange" as term was used in 6-year statute of limitations, but was action based on bank's breach of contract with depositor, to which 3-year statute was applicable. *Security Storage Co. v. Equitable Security Trust Co. (Del. Super. Ct.) 147 Atl. (2d) 507.*

Certified checks. Employer's undelivered certified check, drawn payable to order of the Treasury Department for social security and withholding taxes, constituted an identifiable fund held in "trust" for the Government, and upon employer's bankruptcy, the Government, not the trustee in bankruptcy, was entitled to the check. *In re States Motors (Dist. Ct. Mich.) 168 Fed. Supp. 82.*

Investments. Provision in Virginia "Prudent Man" investment statute enacted in 1956 (now Virginia Code, §26-45.1), that statute was applicable to "instruments now existing or hereafter made," held not constitutionally objectionable as impairing contract rights or divesting beneficiaries of vested property rights, where trust instruments created prior to enactment of statute did not indicate settlor's intent to restrict investments to those enumerated in statutes in effect at execution of instruments. *Goodridge v. National Bank of Commerce of Norfolk (Va.) 106 S.E. (2d) 598.*

Deposits in two names. Where making of deposit in two names in form prescribed by statute was conclusive evidence of depositor's intent to vest title to deposit in survivor, statute did not compel "depositors thereafter to remain frozen to that intention" and they were free to enter into subsequent independent agreement changing their rights in the account. *Hotle v. Miller (Cal.) 334 Pac (2d) 849.*

Deposit in trust. Opening of savings account in depositor's name payable on death to depositor's daughter created a "tentative trust" enforceable by surviving daughter, where evidence indicated depositor's intent that she could withdraw all or any part of the deposit, that

daughter could also use fund if needed, and that balance on depositor's death should belong to daughter. *Butler State Bank v. Duncan* (Kansas City Ct. of Appeals, Mo.) 319 S.W. (2d) 913.

Trusts. Wisconsin's Uniform Principal and Income Act, effective July 10, 1957, provides that stock dividends shall be deemed principal, changing law theretofore prevailing under court decisions. Act is expressly applicable to all trusts in existence when act became effective. Latter provision held not unconstitutional as applied to stock dividends, received subsequent to passage of act, by trustee of existing trust; life beneficiary had no vested property rights in the rule with respect to allocation of stock dividends in effect at time of settlor's death. *In re Allis' Will* (Wis.) 94 N.W. (2d) 226.

Rental-purchase contract. Where purchaser received machinery under rental-purchase contract whereby it agreed to pay a stated sum in 36 monthly payments on completion of which a bill of sale for the machinery would be issued to purchaser, court held that agreement was in fact and in law a conditional sales contract and, under Federal Bankruptcy Act, void as against the purchaser's trustee in bankruptcy because it was unfiled. *First National Bank of Fort Smith, Ark. v. Phillips* (C.A., Tex.) 261 Fed. (2d) 588.



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BANKING NEWS

Improvements in G.S.B. Courses of Study, Methods, and Procedures Discussed at Faculty Meeting in New York

Improvements in courses of study, methods, and procedures which are being put into effect in the program of The Graduate School of Banking were reviewed at a meeting of the G.S.B. faculty held recently in New York at the Columbia University Club.

Among steps taken toward strengthening of the School, which is conducted by the A.B.A. at Rutgers—The State University, New Brunswick, N. J., has been an upgrading of admission and graduation requirements. The higher standards, however, Dr. E. Sherman Adams, director, told the G.S.B. faculty conference, have not lessened the pressure for admission of new enrolments. The 1959 freshman class will number a record 389, the second-year class will total 355, and the seniors of the class of 1959 number 363, making a record high in total student enrolment this year of 1,107.

During the morning, members of the G.S.B. faculty heard a description of the case-method of instruction presented by Dr. Charles Williams of the Harvard School of Business Administration. This method in the future is expected to be made an important part of course work in the G.S.B. The method has been undergoing an exhaustive experimental study.

Dr. Kreider Is Administrator

Strengthening in the professional character of the school will be marked by increased attention to thesis preparation. Dr. Lawrence E. Kreider, assistant secretary of the Agricultural Commission, has been named administrator in charge of thesis and extension work. Outlines of theses will be required in advance of conferences with G.S.B. counselors in order that a more intensive treatment of the subject matter to be covered will be possible.

Dr. Murray G. Lee, director of the A.B.A. Council on Banking Education, has been named course administrator of "Economics of Banking

and Business." Edgar T. Savidge, A.B.A. deputy manager and secretary of its Agricultural Commission, has been named course administrator for Commercial Banking VI.

It was also announced by Registrar William Powers that panel examination boards have been increased this year to a total membership of 130. These boards meet on Saturday before the G.S.B. June resident session at Rutgers University.

The upgrading of admission standards is already reflected in the composition of the student body at the School, according to Dr. Adams. In the three years 1954-56, prior to initiation of new admission standards, about 26% of the students were senior officers of their banks. Since the new admissions procedure, 1957-59, the percentage was 35%; and this year is at an all-time high of 37%. During the summer term on the Rutgers campus this year, the commercial banking student body of 810 will be divided, with 287 in CB IV, 262 in CB V, and 261 in CB VI. Savings management students will number 133, and the trust courses will include 164.

Dr. E. Sherman Adams, A.B.A. deputy manager and director, G.S.B., addresses a luncheon meeting of faculty members, course administrators, and Rutgers officials at the annual meeting in New York last month. Seated on dais, left to right, William Powers, G.S.B. registrar; Kenneth Erfft, Rutgers—The State University; Dr. Mason Gross, president, Rutgers; Everett D. Reese, chairman, The Park National Bank of Newark, Ohio, and chairman, board of regents, G.S.B. (hidden by lectern); Merle E. Selecman, executive vice-president and executive manager, A.B.A.; and Ernest McMahon, dean, University College and University Extension Division, Rutgers, and associate director, G.S.B.



WEIMAN & LESTER

G.S.B. Theses to Be Published in Book Form by Rutgers University Press

Supplanting 'Present Day Banking' With 3 to 5 Studies Annually

Outstanding theses written by graduates of the American Bankers Association's Graduate School of Banking will be published in book form by the Rutgers University Press, it was announced in New Brunswick by Dr. E. Sherman Adams, A.B.A. deputy manager and director of the School, and William Sloane, director of the Press.

From three to five studies will be published each year under the general heading of "The Rutgers Banking Series," according to present plans. The new series will supplant the *Present-Day Banking* series, in which condensed versions of several

(CONTINUED ON PAGE 93)

Continued demand by A.B.A. member banks for enrolment of officers as students at G.S.B. forecasts an expansion in the student body. The School's future will be discussed by the A.B.A. Executive Council at its spring meeting in White Sulphur Springs in April.

Surety Ass'n of America Announces Bond Form No. 28 Revision As of March 30

The Surety Association of America has announced a revision of Excess Bank Employee Dishonesty Blanket Bond Form 28 which is written in the amount of \$1,000,000 in excess of designated amounts of bankers blanket bond coverage, depending upon the size of the bank. The revised bond became available to banks on March 30, 1959.

The revision includes a number of improvements suggested by the A.B.A. Insurance and Protective Committee. One of the principal changes is in the insuring clause which agrees to indemnify and hold harmless the insured bank from and against any loss sustained at any time "through any dishonest, fraudulent or criminal act committed anywhere by any of the employees..."

Prior Provisions of Form 28

Form 28 in effect prior to March 30 agreed to indemnify insured banks against "the direct loss of any Property, as defined" through any dishonest act of any of the employees. An interpretative letter adopted by the Surety Association in May 1958 was deemed necessary to construe the bond as covering losses through any dishonest or fraudulent act of any of the employees "whether the physical handling of Property, as defined, is present or absent." The improved phraseology in the new Form 28 makes an interpretative letter unnecessary.

Further details of the improvements in the revised bond are being published in the April issue of the A.B.A. *Protective Bulletin*.

Bankers Practice What They Preach by Making Own Wills

In the matter of making wills, bankers seem to practice what they preach, if an informal survey made by the Trust Division of the American Bankers Association is significant.

Of the 563 bankers and trustmen who responded to the question "Do you have a will?" 535 answered yes. That's an affirmative percentage of 95.



Ten new members of The Graduate School of Banking faculty are shown at the annual spring faculty meeting in New York. Left to right, front row, Edmund Leone, Manufacturers Trust Company, New York, and Stanley Shirk, partner, Peat, Marwick, Mitchell & Company, New York; second row, G. F. Christie, People's Savings Bank, Bridgeport, Conn; Harold Still, Jr., Central Penn National Bank, Philadelphia; B. L. Daniels, Pennsylvania Bankers Association, Harrisburg; third row, L. P. Chamberlain, Provident Institution for Savings, Boston; Paul Nadler, Rutgers—The State University of New Jersey; fourth row, R. A. Tydings, Union Trust Company, Baltimore; W. F. Lackman, Guaranty Trust Company, New York; and M. C. Campbell, First National Bank, Atlanta

G.S.B.'s Commercial Banking IV faculty make plans for summer resident session at Rutgers. Clockwise, beginning at far end of table: G. R. Amy, deputy manager, A.B.A.; C. W. Trempf, First National Bank of Boston; H. D. Crosse, Federal Reserve Bank of New York; H. E. Randall, The First National Bank of Boston; Stanley Shirk, Peat, Marwick, Mitchell & Co., New York; Edmund Leone, Manufacturers Trust Company, New York; H. J. Marshall, The National Bank of Westchester, White Plains; C. A. Agemian, The Chase Manhattan Bank, New York



WEIMAN & LESTER

No figures for the nation at large are known, but Columbia University four years ago polled some 45,000 professional men and women and found that nearly half had no wills.

Publishing G.S.B. Theses

(CONTINUED FROM PAGE 92)

outstanding theses have been published annually for several years. As with all other Rutgers University

Press titles, final approval of works selected for the series will rest with the Press Council.

The volumes are expected to become a significant library of materials on modern-day banking, according to Dr. Adams and Mr. Sloane. Through the A.B.A. they will be available to bankers in all areas, and they are expected also to prove of value to educators and students in colleges and universities.

FRB Concurs in A.B.A. Recommendation that No-Protest Limit Be Raised on All Checks from \$500 to \$1,000

The Federal Reserve System has concurred in a recommendation of the Bank Management Commission of the American Bankers Association that the first paragraph of the general transit instructions be amended to raise the present \$500 no-protest limit on all checks to \$1,000, according to Harold E. Randall, chairman of the Bank Management Commission. The Federal Reserve banks are so amending their operating letters, effective May 1.

Mr. Randall pointed out in a letter to A.B.A. member banks that progress is being made in the drafting of an amendment to the Uniform Negotiable Instruments Law which would have the effect of requiring protest only on dishonored "international" checks and other bills of exchange which show on their face that they are drawn or payable outside the United States.

He expressed the hope that "favorable legislative action may be obtained in many of the states that have not already adopted similar legislation."

Pending the adoption of this proposed legislation, Mr. Randall said the Bank Management Commission believes interim action necessary to reduce the number of items being

protested and that the Commission has recommended that the first paragraph of the general transit instructions be changed to provide that no item of less than \$1,000 be protested, except in the case of dishonored items of \$1,000 or over and these would be exempted if they bear on their face the N.P. stamp of a preceding bank endorser.

The second paragraph of the present transit instructions regarding wire advice of nonpayment of items of \$1,000 or over would not be changed.

Earlier Suggestion Widened

Mr. Randall, who is vice-president and comptroller, First National Bank of Boston, explained to member banks that this recommendation is simply an extension of previous recommendations of the Commission, which, over the years, have had the effect of successively raising the minimum on protested checks and other bills of exchange from \$10 to \$500, and now to \$1,000.

Robert H. Brome, resident counsel and secretary, Bankers Trust Company, New York, is chairman of the subcommittee drafting an amendment to the Uniform Negotiable Instruments Law.

96.8% of Bank Checks Carry Routing Symbol in Approved Position

As of December 1, 1958, 96.8% of the checks written in the U. S. A. carried the check routing symbol in the upper right hand corner, according to M. A. Harris, chairman, Subcommittee on Collections, Federal Reserve Bank of New York. The Bank Management Commission of the American Bankers Association and the Reserve banks have cooperated for many years in a program to have the routing symbol position standardized on all bank checks.

The 96.8% figure represents a 0.5% compliance increase over December 1, 1957 and is a new high mark for the program, according to Mr. Harris.

District 1 (Boston) leads the nation with a 98.9% compliance and is followed by District 9 (Minneapolis) with 98.6%. "No district," said Mr. Harris, "shows less than 93.5% of its checks bearing the routing symbol in the upper right corner of the checks. In all states and the District of Columbia, 90% or more of the bank checks in circulation carry the fractional form number in the approved location. Rhode Island and New Hampshire lead all other states with 99.7% routing symbol compliance.

Bank Management Commission of the American Bankers Association holds its annual meeting in Hollywood, Fla. Clockwise around table, O. T. Jones, American Trust Co., San Francisco; J. R. Sherwood, Suburban Trust Co., Hyattsville, Md.; W. L. Gregory, Easton-Taylor Trust Co., St. Louis; R. A. Bezoier, First National Bank, Rochester, Minn.; F. H. Waterhouse, First National Bank of Minneapolis; E. C. Underhill, Idaho First National Bank, Boise; H. E. Randall, The First National Bank of Boston, chairman; M. C. Miller, deputy manager, A.B.A., and Commission secretary; O. L. Dalrymple, Seattle First National Bank; J. A. Kley, The County Trust Co., White Plains, N. Y.; G. A. Guerdan, The First National City Bank of New York; G. E. Cooper, Philadelphia National Bank; Philip H. Cordes, Continental Illinois National Bank and Trust Co., Chicago; R. A. Blanchard, Georgia Railroad Bank and Trust Co., Augusta; and J. A. Wallace, Willard (Ohio) United Bank



R. R. Fichtel, R. G. Howard Are Promoted by A.B.A., Merle E. Selecman Announces

Duties of K. F. Flexner and G. H. Gustafson Enlarged, Defined

Rudolph R. Fichtel, director of the Public Relations Council of the American Bankers Association, has been named deputy manager of the Association and secretary of the Savings and Mortgage Division, it was announced recently by Merle E. Selecman, executive vice-president and executive manager of the Association. In this position, Mr. Fichtel fills the vacancy created by the death of J. Raymond Dunkerley.

Dr. Kurt F. Flexner who joined the Association staff February 1 as director of Mortgage Finance (page 96 March BANKING), will be in charge of all mortgage work for the A.B.A.. Mr. Selecman announced. A recognized authority in his field, he will direct this important activity.

George H. Gustafson, who has been assistant secretary of the Savings and Mortgage Division, will continue in that post in addition to his new duties as secretary of the Association's Organization Committee, which was announced previously (page 96 March BANKING). He has been with the A.B.A. for 11 years in both the organization and savings work.

Howard Adds to News Duties

Robert G. Howard, director of the News Bureau, has been named director of the Public Relations Council to succeed Mr. Fichtel, Mr. Selecman announced. Because of the interlocking relationship of public relations and the News Bureau, Mr. Howard will direct both of these important Association activities.

Mr. Fichtel, after teaching in New York City schools for one year, joined the East River Savings Bank in 1939. He worked in several operating departments of the bank and later joined the personnel department, where he remained until 1942. From 1942 to 1945 he served with the U. S. Army, rising to the rank of captain. Upon his discharge, he joined The Savings Banks Association of the State of New York as publications editor. In 1948 he was appointed public relations director and assistant secretary of that as-



R. R. Fichtel



Robert G. Howard

sociation. He joined the A.B.A. as secretary of the Public Relations Council in 1953. He was appointed assistant director of the Public Relations Council in April 1956, and director in September 1957.

Mr. Howard, a newspaperman from 1937 until 1950—with the exception of the World War II years when he was an officer in the U. S. Navy—entered the banking business with the Federal Reserve Bank of Richmond in 1950. There he was successively director of public information, assistant cashier, and assistant vice-president. During his newspaper years he was with the Syracuse (N. Y.) *Herald*, the New York *Sun*, and the Miami *Daily News*. He joined the A.B.A. in March of 1957 as assistant to the executive manager, and on January 1, 1958, he was appointed director of the Association's News Bureau.

Before joining the American Bankers Association, Dr. Flexner was a member of the faculty of New York University, which he joined in 1946. He taught at Johns Hopkins University from 1939 to 1943, and served in the United States Army in 1944 and 1945. An outstanding authority in his field Dr. Flexner has contributed articles to various magazines and has written several monographs, which have been published.

NABAC Will Hold Four Regional Conventions During Spring of 1959

Four regional conventions are being held this spring by the National Association of Bank Auditors and Comptrollers.

Coming in April and May, the meetings will feature talks and panel discussions on cost control, automation, tax planning, personnel training, audit and control, among other subjects.

The southern regional is in New Orleans, Apr. 15-18; eastern, Miami

Spring Issue of "School Saver" Will Be Distributed by A.B.A. During April

The Advertising Department of the American Bankers Association is preparing to distribute during April more than 475,000 copies of the spring issue of *School Saver*, the national newspaper for young people between the ages of 9 and 14, produced by the department in cooperation with the Savings and Mortgage Division of the Association. The *School Saver* is imprinted individually for more than 300 banks active in the promotion of school savings, which distribute it to students of the schools in which they conduct savings activities.

Committees Named for Southern Trust Conference in Birmingham, May 14-15

John C. Schor Heads General Conference Committee

Committee members for the Southern Trust Conference, to be sponsored by the Trust Division of the American Bankers Association at the Dinkler-Tutwiler Hotel in Birmingham, Ala., May 14-15, have been announced by Carlyle A. Bethel, president of the Division. Mr. Bethel is vice-chairman of the board and senior trust officer, Wachovia Bank and Trust Company, Winston-Salem, N. C.

John C. Schor, vice-president and trust officer of the Birmingham Trust National Bank, is general chairman.

In addition to Mr. Schor, members of the general committee include: William T. Cothran, Bank for Savings and Trusts; Dan B. Flautt, The First National Bank of Birmingham; Willard L. Hurley, Exchange-Security Bank; Annette H. Raum, Birmingham Trust National Bank; Turner Rice, Birmingham Trust National Bank; Robert H. Woodrow, Jr., The First National Bank of Birmingham; and Charles F. Zukoski, Jr., The First National Bank of Birmingham.

Beach, Fla., Apr. 27-29; western, Phoenix, Ariz., May 11-13; northern, Sioux City, Ia., May 25-27.

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Savings and Mortgage Statistics Book Available

THE importance of the aggregate savings of individuals in savings deposits in banks and in share and investment accounts in other types of institutions is shown by figures and graphs in an annual publication, *Savings and Mortgage Statistics*, which has recently been completed by the Savings and Mortgage Division of the American Bankers Association.

The study shows that the volume of individual savings has grown to an estimated \$288,500,000,000 at the end of 1958 from \$5,149,000,000 in 1900. In 1950, total savings in all institutions amounted to \$187,091,000,000; in 1954, \$233,138,000,000; and last year, \$270,320,000,000. These figures, in which are included totals of all banks accepting savings in deposit accounts and other types of share account or investment institutions, are a major source for funds for mortgage loans made in this country.

Savings by Institute Type

The A.B.A. study shows that through the year 1958 savings by types of institutions are estimated at: commercial banks, \$63-billion; mutual savings banks, \$34-billion; and postal savings, \$1,200,000,000. Share accounts in savings and loan associations, \$47,100,000,000; U. S. Savings Bonds outstanding, \$51,700,000,000; life insurance policy reserves, \$87,700,000,000; and paid-in share capital and deposits in Federal and state credit unions, \$3,800,000,000.

At the close of business in 1958, mortgage loans in commercial banks aggregated \$25,190,000,000 or 39.9% of time deposits; in mutual savings banks, \$20,965,000,000 or 61.6% of time deposits; in savings and loan associations, \$45,500,000,000 or 96.6% of private repurchasable capital; and \$37-billion or 42.2% of policy reserves in life insurance companies.

During the past 10 years from 1948 to 1958, the number of depositors with time accounts in banks

increased from 60,000,000 to 80,150,000; in savings and loan associations, the number of shareholders in 1948 was 8,850,000, compared with 23,000,000; postal savings declined from 4,111,000 to 1,925,000; credit union members advanced from 3,749,000 to 10,750,000; and the number of life insurance policyholders was up from 78,000,000 to 112,000,000.

This booklet is available upon request to the Division at 50 cents a copy.

Depositor Equity Approval Sought by Society Nat'l

ACTION has been instituted to obtain court approval for the proposed method for distribution of the equity interest to savings depositors resulting from the recent unification of Society for Savings and Society National Bank in Cleveland.

A "Petition for Judicial Supervision of Proceedings in Dissolution" was filed with the Common Pleas Court in Cleveland.

This court action follows the plan set forth when, at the close of business on December 31, 1958, Society

National Bank acquired the assets and assumed the deposits and other liabilities of Society for Savings.

Ensley Scores Efforts to Impose Punitive Controls

THE basic problem challenging the nation is whether a satisfactory rate of economic growth can be achieved without surrendering to the forces of inflation, Dr. Grover W. Ensley, executive vice-president of the National Association of Mutual Savings Banks, said recently. Resignation to the inevitability of inflation, he said, should be combated by a broad educational program aimed at uniting business, labor, and consumers "in a determined effort to develop and support anti-inflationary programs and policies dedicated to sound economic growth."

Dr. Ensley declared that a proposal to impose monetary regulation on thrift institutions, "punitive" taxation, and "intemperate" attacks on the mutual form of business organization do not provide solutions to the basic problem of sound economic growth.

He observed that mutual thrift



The 140th anniversary of The Bank for Savings, in New York City, was celebrated with this "Fads and Fashions of 1819" display in the main office lobby. Against a background of blow-ups of historical pictures, the bank's extensive memorabilia was also on display. The Bank for Savings was New York's first savings bank

Savings Goals and Attitudes Study by Inter-University Committee

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A STUDY entitled "Savings Goals and Attitudes" made by the Inter-University Committee (Wisconsin, Michigan, Illinois, Yale, and New York U) reveals that more people save for old age, to look after their children, and to be prepared for

emergencies than for any other reasons.

The table below shows the extent to which five popular forms of assets are held by people with different savings practices and by people with different savings goals:

Association Between Ownership of Selected Assets and Savings Attitudes and Goals

Attribute	Attitude	% of those expressing each attitude or goal owning					Base for percentages
		Savings acct.	Life insurance	Govt. bonds	Other bonds	Stocks	
Attempts to save	No particular effort to save..	73%	92%	36%	14%	33%	30
	Try to save after expenses are taken care of.....	70	87	46	7	48	59
	Save in advance.....	78	96	56	15	68	99
Savings goal	Old age.....	76	91	50	13	59	120
	Leave inheritance.....	72	88	56	23	71	45
	Children's education.....	79	96	54	20	66	73
	Pay off debts.....	69	100	31	6	50	17
	Finance a house.....	74	94	28	0	38	22
	Purchase goods or make a trip	81	97	58	11	57	47
	Emergencies.....	80	93	51	11	56	103

institutions have served the American saver for nearly 150 years and that in no way have they adversely affected commercial banks either in their capital position or their ability to attract savings.

Proposals to change the tax status of mutual thrift institutions and commercial banks should be resolved, Dr. Ensley said, within the framework of broad fiscal considerations. "Liberalization of the tax provisions governing commercial banks may be desirable," he said. He emphasized, however, that "any ill-conceived increase in taxes imposed on thrift institutions would

hinder their ability to promote savings and to provide adequate reserves for future growth."

Dr. Ensley also analyzed the monetary theory which seeks to impose new financial controls on thrift institutions, particularly the imposition of cash reserve requirements similar to those now applied to commercial banks. The doctrine on which these proposals are based, Dr. Ensley said, "obscures rather than clarifies the basic differences between commercial banks and thrift institutions." He stressed the fact that thrift institutions do not have the same credit-creating power as do

commercial banks and that their basic function is to collect savings and lend or invest these savings to finance long-term capital needs.

Implicit in the proposals, he said, is a lack of recognition of how effective existing tools of monetary policy are in regulating the activities of all financial institutions.

Dr. Ensley concluded by stating that "reasonable men in all walks of finance . . . are seeking to create a climate in which all types of thrift institutions can compete without rancor or irresponsibility. They merit the support of all those who understand the continued need for a healthy, vigorous thrift industry that will enhance the economic well-being of the nation."

New Book on In-Plant Thrift Service by Banks

DETAILS of how the new in-plant savings and loan services offered by such banks as the Bank of America, California; the American Fletcher National Bank, Indianapolis; and the Chicago National Bank are included in a 104-page book entitled "In-Plant Thrift and Loan Service by Banks and Credit Unions," published by Reports, Inc., Kent, Conn. Price of study, \$4.50.

The promotional literature and forms used by these banks are reproduced in this study.

Housing and Mortgages

February Housing Starts Up 34.7% Over February '58

In February the new permanent nonfarm dwelling units started numbered 89,000, including 1,100 public units, according to estimates by the U. S. Bureau of Labor Statistics. This figure compares with 66,100, of which 5,100 were public units, in February 1958, a rise of 34.7%.

The seasonally adjusted annual rate of private starts, based upon the February private starts figure of 87,900, is 1,320,000, according to the Bureau.

New Construction Up 12% Over February 1958

NEW construction activity declined as is usual in February, but the \$3.5-billion total of work put in

place was 12% above the previous February record set in 1958, according to estimates of the U. S. Departments of Labor and Commerce. For the first two months of 1959, expenditures totaled more than \$7.1-billion, an all-time high for the January-February period.

Private spending for new construction in January and February was up 9% this year from 1958 to a record \$5.1-billion, primarily because

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of a 30% expansion in outlays for new dwelling units (to \$2.2-billion). The increase in residential construction, coupled with strength shown by many other kinds of private work, more than offset the 35% drop from 1958 in expenditures for private industrial plants. Expenditures for new industrial plants thus far in 1959 were at the lowest dollar level for any January-February period in eight years.

Public construction expenditures through the end of February 1959, at \$2-billion, were 16% above a year earlier and at a new high for the 2-month period.

Housing Bills Inflationary

THE Congress will soon be faced with a challenging test to determine the extent of its willingness to curb extravagant spending and cooperate with the President in his fight for a balanced budget by the action it takes on the two highly inflationary housing bills, Walter C. Nelson, president of the Mortgage Bankers Association of America, and president, Eberhardt Company, Minneapolis, declared recently.

"Almost no single action which the Congress could take at this time would be more inflationary than enacting the housing bill cleared by the House Banking and Currency Committee," Mr. Nelson said in a statement urging vigorous support for the Administration's proposed housing legislation and pledging the mortgage industry's cooperation.

Builder Looks Ahead

"WITHIN the next 20 years, barring an international conflict, and assuming we manage our affairs with reasonable competence, we may expect to enter a period of general well-being never before considered attainable," Richard B. Morris, president, New York State Association of Real Estate Boards, said before the Mortgage and Finance Conference of the Group Five Savings Banks Association in Brooklyn, N. Y.

Mr. Morris added that "we cannot look into the future with anything but a feeling of optimism. All

that can be seen, given peace, is promise of even greater growth for the country and the real estate economy."

Homebuyers' Guide

THE Channing L. Bete Co., Inc., of Greenfield, Mass., recently published *How to Buy a Home . . . the Road to Greater Security, Savings, and Satisfaction*. The story is told in "scriptographic" style.

Mortgagemen Oppose Tax

PROPOSED legislation raising Federal taxes on life insurance by 70% would be likely to discourage insurance companies from investing in taxable obligations such as home mortgage loans, the Mortgage Bankers Association of America fears.

Samuel E. Neel, general council of MBAA, in a letter to Senator Harry F. Byrd (D.-Va.), chairman of the Senate Finance Committee, said the tax bill would divert the investment capital of life insurance companies to tax-exempt securities.

Senator Byrd's Committee is studying the tax bill passed by the House. The Senate Committee, in three days of hearings, heard many witnesses from the insurance industry urge modifications in the bill. The hearings recessed to permit the Committee to examine proposed amendments.

Mr. Neel said the MBAA, representing 2,000 banks, mortgage companies, and others, is deeply concerned about the impact of a stiff increase in life insurance taxes.

Sneaker and savings bank leaders at the Mortgage and Finance Conference of Group Five Savings Banks Association in Brooklyn, N. Y. Left to right, Frederick W. Jackson, II, vice-president, The Dime Savings Bank of Brooklyn, conference chairman; New York's Lieutenant Governor Malcolm Wilson, speaker; and Charles W. Gleason, chairman, Group Five Savings Banks Association and president, The Green Point Savings Bank, Brooklyn



\$15-Billion Mortgage Mark

MORTGAGE investments of the savings banks of New York State passed the \$15-billion mark during January, the largest mortgage holdings of any group of institutional lenders in the state, reported the Savings Banks Association of the State of New York.

A record \$15,011,777,000, representing 1,199,335 mortgage loans, was reached on January 31, 1959, an increase of \$211,288,000 during the month, Kilgore Macfarlane, Jr., president of the association, and also president of Buffalo Savings Bank, reported.

Supply of Mortgage Funds

THE supply of mortgage funds this year is sure to be greater than last year, the increase in VA interest rate seems certain to come and with it will develop a reversal in the decline in VA financing, and, based upon events now taking shape, the volume of home building will certainly be around 1,200,000 starts, Walter C. Nelson, president of the Mortgage Bankers Association of America, recently declared in a summary of the outlook in this field of credit.

Delinquencies Up Slightly

LAST year, despite the business recession, mortgage borrowers established a good record of maintaining their loan payments with total delinquencies at the end of 1958 of 2.33%, only slightly higher than the 2.15% shown a year earlier, according to the national mortgage delinquency survey of the Mortgage Bankers Association of America. Lowest delinquency during the past five years was shown in the June 1955 quarter and was 2.01%.

These findings are based on reports from investors covering 2,523,012 mortgage loans, of which 58,835, or 2.33%, were delinquent on December 31, 1958.

Conventional mortgage loans, those neither insured nor guaranteed by Government agency, showed the best payment record on December 31 as compared to a year ago. Loans one month delinquent totaled 1.12% as against 1.08%; those two months' overdue showed 0.30%, as compared to 0.27%; three months' overdue, 0.17% as against 0.15%.

Instalment Credit

• NEWS •

Controls, Captive Companies, and Senate Bills

IS the "overburdened consumer" enough reason for setting up consumer credit controls? Consumers continued buying in 1957 and 1958 with scarcely a lag—hardly the behavior of a people overburdened to the retrenching point.

William J. Cheyney, executive vice-president, National Foundation for Consumer Credit, went to considerable detail to show a New Jersey Bankers' Credit Conference that the downturn in the economy was not due to a "debt-ridden public."

After heavy buying in 1955, the "overburdened consumer" continued unabated purchase of goods and services until mid-1957. Then, when this purchase slacked off a bit, consumption of nondurables and services was at an all-time high—an indication that something other than an "overburdened" condition was causing the purchaser to ease up in some categories. There's no need, points out Mr. Cheyney, to propose a cure for a nonexistent ailment.

Only Autos Lagged Last Year

Underscoring this, here are some remarks made by A.B.A. Vice-President John Remington to last month's

Instalment Credit Conference:

"In 1958, the total amount of instalment credit granted was estimated at \$40,400,000 by the Federal Reserve Board. This was just \$2-billion less than the peak year 1957, the decline being entirely attributable to the automobile industry."

"It is readily apparent then, that the recession did not cause instalment lenders to pull in their horns, nor did repayments on outstanding paper place the heavy drag on consumer spending some might have feared."

"Lenders now have behind them a further record of performance under changing business conditions, and borrowers have found that they can face the future with confidence in their ability to carry a burden of debt repayments."

GMAC Volume Down, Profit Up

GMAC reports purchase of retail instalment sales contracts for last year to be \$3,161,000, 17% below the previous year's volume. Net income was up from 1957's \$46,037,136 to \$53,323,446. Wholesale receivables outstanding, which arise from financing dealer inventories, were down to \$739,000,000 from 1957's final \$848,000,000.

Senate Bills

Re: Captive Companies

Senate Bill 838, introduced by Senator O'Mahoney, would make it unlawful for any automobile manufacturer to "own or maintain any facilities for financing the sale at wholesale or retail of any type of motor vehicle manufactured by such corporation" as of 120 days after enactment.

Senate Bill 839 would make it unlawful for any automobile manufacturer "to engage in business directly or indirectly as an automobile finance agency or as an automobile insurance agency" in connection with selling passenger cars at retail—effective January 1 next.

Some Chrysler Remarks

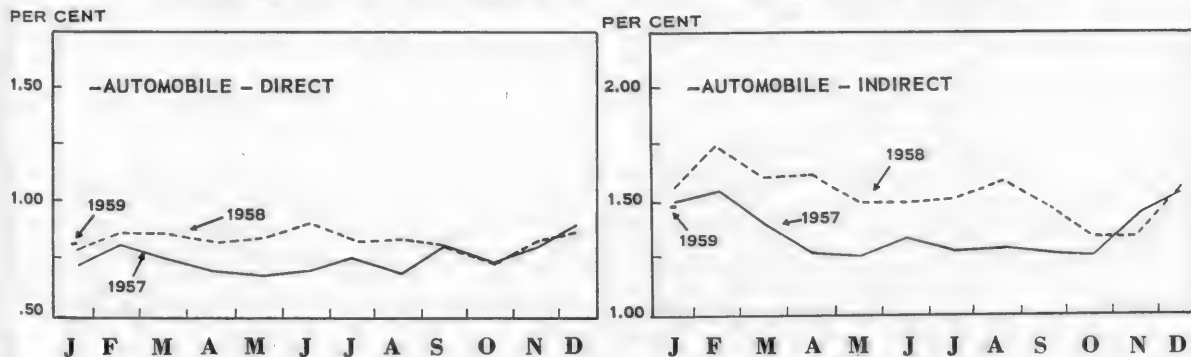
Pros and cons on Senate Bills 838 and 839 as delivered to Subcommittee on Antitrust and Monopoly of Committee on Judiciary:

F. W. Misch, vice-president—finance, Chrysler Corporation, testified thusly:

"Underlying both (bills) are a number of assumptions:

"(1) that the mere presence of automobile manufacturers in the area of financing and insuring automobiles, on the face of it, threatens

Number of Total Auto Loans Delinquent
as Percentage of Total Number of Loans Outstanding (1957, 1958, 1959)



Reprinted from Instalment Credit Commission Bulletin No. 254-March, 1959

to reduce competition among financing institutions;

"(2) that, therefore, eliminating the manufacturer from this field automatically will promote competition, thereby assuring the consumer adequate financing and insurance at lower costs.

"Greatest growth in total number of automobile financing institutions—banks and finance companies—was during the 1930s, when most major automobile companies had direct interests in finance companies," said Mr. Misch.

Retail instalment credit was just about a finance company exclusive in the 1920s but mushroomed out through the banks during the 1930s, until 77% of the nation's commercial banks—over 10,000 of them—were financing retail instalment loans.

"The effectiveness of bank competition is indicated by the fact that they now hold 43% of automobile retail paper outstanding."

One Banker's Testimony

On the other side of the testimonial fence, one Arkansas banker said that he has no General Motors accounts at all—and neither has any other banker in his vicinity. He told the Committee that 65-70% of his

bank's vehicle financing is with Ford dealers—the rest with just about all others except GM.

His guess for the reason? The "stranglehold" GM has on its dealerships: "(1) the manufacturer controls the identity of its dealers and duration of its franchise; (2) it controls the number of dealer franchises in each locality; and (3) it determines the number of cars and trucks delivered to each of its dealers."

Advantages Don't Matter

Equal or better rates, plans or services don't seem to enter the picture, he said. His bank still has been unable to get business from any but two GM dealers since 1939—these two his bank helped through financial crises during which GM dropped them. One, after getting back on its feet, had to go back to GMAC; the other switched to another manufacturer's franchise.

Without these bills, said the gentleman, not only will General Motors continue GMAC; but Ford will launch its FMAC, followed by a Chrysler CMAC, and then independent finance companies and banks might just as well fold up their tents as far as automotive finance is concerned.

Multiple-car Figures Up

According to automobile dealers surveyed by Universal C.I.T. Corporation, New York, multiple-car ownership is still gathering speed. Estimate is some 6,500,000 multiple-car households in U.S.

Alabama Bankers Look Closer At Tuition Financing

Alabama Bankers Association, in a monthly bulletin, commends to its members, for further study, the idea of tuition financing. They point out that although banks have not yet had extensive experience in that area, it would provide a needed service to countless families in that state. This state association, which points out that this area could bring considerable favorable publicity to banks first entering it and eventually to all banking, directs interested members to the Division of Educational Research and Services of the College Life Insurance Company of America, Indianapolis, who will be very happy to supply information or help as needed.

CALENDAR

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American Bankers Association

May	14-15	Southern Regional Trust Conference, Dinkler-Tutwiler Hotel, Birmingham, Ala.
June	1-5	American Institute of Banking, The Bellevue-Stratford and the Sheraton Hotels, Philadelphia, Pa.
June	8-20	Graduate School of Banking, Rutgers University, New Brunswick, N. J.
Oct.	15-16	Western Regional Trust Conference, St. Francis Hotel, San Francisco
Oct.	25-28	85th Annual Convention, Miami Beach, Fla.
Nov.	5-6	28th Mid-Continent Trust Conference, Statler Hotel, Detroit, Mich.
Nov.	9-10	8th Annual National Agricultural Credit Conference, Netherland-Hilton Hotel, Cincinnati, Ohio

State Associations

April	9-10	Pacific Northwest Conference on Banking, State College of Washington, Pullman
April	12-14	Louisiana, Buena Vista Hotel, Biloxi, Miss.
April	13-15	Mexican, Torreon, Coahuila, Mex.
April	14-16	Georgia, Augusta Hotel, Bon Air
April	27-29	Ohio, Cleveland Hotel, Cleveland
May	5-6	Tennessee, New Gatlinburg Inn, Gatlinburg
May	7-8	Oklahoma, Mayo Hotel, Tulsa.
May	7-9	North Carolina, The Carolina Hotel, Pinehurst
May	8-9	North Dakota, Clarence Parker Hotel, Minot
May	8-12	Maryland, Chalfonte-Haddon Hall, Atlantic City, N. J.

May 10-12 Missouri, Muehlebach Hotel, Kansas City
 May 10-12 Texas, Gunter Hotel, San Antonio
 May 13-15 Kansas, Hutchinson
 May 14 Delaware, du Pont Hotel, Wilmington
 May 14-15 Massachusetts, New Ocean House, Swampscott
 May 14-16 South Carolina, Poinsett Hotel, Greenville
 May 15-16 South Dakota, Sheraton Cataract Hotel, Sioux Falls
 May 17-19 California, del Coronado Hotel, Coronado
 May 18-20 Mississippi, Buena Vista Hotel, Biloxi
 May 19-20 Illinois, Chase-Park Plaza Hotel, St. Louis, Mo.
 May 20-22 Alabama, Tutwiler Hotel, Birmingham
 May 20-23 New Jersey, Chalfonte-Haddon Hall, Atlantic City
 May 21-23 Colorado, Broadmoor Hotel, Colorado Springs
 May 22-23 New Mexico, La Fonda Hotel, Santa Fe
 May 24-27 Pennsylvania, Chalfonte-Haddon Hall, Atlantic City, N. J.
 May 25-27 Arkansas, Arlington Hotel, Hot Springs
 May 31- June 2 Oregon, Marion Hotel, Salem
 June 3- 4 Indiana, French Lick-Sheraton Hotel, French Lick
 June 3- 7 Dist. of Col., The Homestead Hotel, Hot Springs, Va.
 June 4- 6 Utah, Utah Hotel, Salt Lake City
 June 5- 6 Connecticut, Equinox House, Manchester, Vt.
 June 7- 9 Idaho, The Lodge, Sun Valley
 June 9-10 Minnesota, St. Paul Hotel, St. Paul
 June 11-13 Washington, Olympic Hotel, Seattle
 June 11-13 Wyoming, Casper
 June 13- Nevada, Hotel Riverside, Reno
 June 15-17 Wisconsin, Schroeder Hotel, Milwaukee
 June 18-20 Michigan, Grand Hotel, Mackinac Island
 June 18-20 Montana, Grand Canyon Hotel, Yellowstone Park, Wyo.
 June 18-20 Virginia, The Homestead, Hot Springs
 June 19-20 *New Hampshire, Wentworth - By - The Sea, Portsmouth
 June 19-20 *New Hampshire Savings Banks, Wentworth-By-The-Sea, Portsmouth
 June 19-20 New Jersey Savings Banks, Monmouth Hotel, Spring Lake
 June 19-20 Vermont, Equinox Hotel, Manchester
 June 19-21 Maine, Poland Spring House, Poland Spring
 June 25 New York, Monmouth & Essex & Sussex Hotels, Spring Lake, N. J.
 July 9-10 Western Secretaries Conference, Glacier National Park, Mont.
 July 23-25 West Virginia, The Greenbrier Hotel, White Sulphur Springs
 *Joint meeting

Aug. 2- 4 Central States Conference, Stanley Hotel, Estes Park, Colo.
 Aug. 9-21 Colo. School of Banking, Univ. of Colo., Boulder
 Sept. 10-12 Maine Savings Banks, The Balsams, Dixville Notch, N. H.
 Sept. 17-19 Massachusetts Savings Banks, Wentworth-By-The-Sea, Portsmouth, N. H.
 Oct. 8-10 Connecticut Savings Banks, The Greenbrier Hotel, White Sulphur Springs, W. Va.
 Oct. 11-12 Nebraska, Sheraton Fontenelle Hotel, Omaha
 Oct. 16-17 New Hampshire (Fall Meeting), Mountain View House, Whitefield
 Oct. 16-21 New York Savings Banks, S. S. Nieuw Amsterdam, Cruise to Bermuda
 Oct. 18-20 Kentucky, Brown Hotel, Louisville
 Nov. 1- 4 Iowa, Fort Des Moines Hotel, Des Moines
 Nov. 12-14 Arizona, Biltmore Hotel, Phoenix
 Dec. 3- 5 Southern Secretaries Conference, Grand Hotel, Point Clear, Ala.

Other Organizations

April 15-18 NABAC Southern Regional Convention, Roosevelt Hotel, New Orleans, La.
 April 22-23 13th Annual Conference of Accountants, Univ. of Tulsa, Okla.
 April 27-29 Independent Bankers Association, Sheraton Hotel, Philadelphia, Pa.
 April 27-29 NABAC Eastern Regional Convention, Deauville Hotel, Miami Beach, Fla.
 May 11-13 NABAC Western Regional Convention, Phoenix, Ariz.
 May 25-27 NABAC Northern Regional Convention, Municipal Auditorium, Sioux City, Ia.
 June 25-27 Consumer Bankers Association Atlantic States Sectional Meeting, Wiaano Club, Hyannis, Mass.
 July 19- Aug. 1 NABAC School for Bank Auditors and Comptrollers, Univ. of Wis.
 Aug. 9-21 CBA School of Consumer Banking, Univ. of Va., Charlottesville
 Sept. 21-23 NABAC 35th Annual Convention, Statler Hotel, Boston, Mass.
 Sept. 21-24 46th Annual Convention, Mortgage Bankers Assn., Hotel Commodore, New York City
 Sept. 23-25 Annual Convention, National Association of Bank Women, Milwaukee, Wis.
 Oct. 4- 7 Robert Morris Associates, Annual Fall Conference, Edgewater Beach Hotel, Chicago, Ill.
 Oct. 14-17 Consumer Bankers Association 39th Annual Convention, Warwick Hotel, Philadelphia
 Nov. 1- 5 Financial Public Relations Association, Americana Hotel, Bal Harbour, Fla.

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

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BANKING briefs you on

Instalment Credit Trends

MARGUERITE BECK

Bull Session Topics:

Smaller banks' big concern was with rates and terms . . . why they varied and how. On dealer paper, recourse—full, partial or none—seemed to vary by locality and competition. In areas with strong nonbank competition for dealer paper, nonrecourse seems to be the rule, easing up to full recourse in areas where banks can more easily dictate their own terms.

A show of hands at several meetings indicated:

- Predictably, most loan money is in dealer paper, but unsecured personals are rising steadily.
- Terms are mostly 36 months on 1959 cars; 24-30 on 1958s, 18-24 on 1957s, petering down pretty much after that. A few die-hards would go 12-18 months on 1956, 1955, and even older models.
- Terms on foreign cars are pretty much in line with domestics. Most prefer not to handle anything older than two years.

Financing dealers in their car-leasing ventures: Few have gone into this, but those that have seem to be happy with it. Worries of those considering seem to be that it can't be done on a large enough scale for profit; or that big companies could move in and knock the pins out from under the local dealer in no time.



Tuesday morning session speakers, left to right: H. L. Galles, Jr., president, National Automobile Dealers Ass'n; Carl A. Bimson, Valley Bank (Phoenix) president, and former A.B.A. Instalment Credit Commission chairman, who presided (for pictures of other session chairmen, turn to page 104.); Robert E. Brooker, president, Whirlpool Corp., St. Joseph, Mich.; Frederick L. Deming, president, Federal Reserve Bank of Minneapolis; Professor George Katona, University of Michigan

A roundup of fact and opinion heard and overheard among 18,000 bankers attending the A.B.A. National Instalment Credit Conference, Conrad Hilton Hotel, March 9-11

Small Business Equipment Finance

Instalment financing of production equipment: a highly profitable operation. A firm can afford, and is usually willing to pay, a higher interest rate for purchase of a specific piece of equipment than for borrowing on an open line of credit based on net worth. Creditmen are doing themselves a profit-injustice by not extending more small business equipment loans, claimed Robert P. Stevenson, Allis Chalmers Manufacturing Co. president. Ability to pay, know-how, and good management are credit assets as valuable as net worth. **There's a fairly low default potential, too, on a loan for an income-producing piece of equipment vital to a firm's operation.**

Automotively Speaking:

In 1958, dealers' profits on gross sales were 0.2%, including a finance profit of 0.9%. Take away that finance income, and dealers would have lost 0.7%—or so H. L. Galles, Jr., president of the National Automobile Dealers Association, told the conference. Under-scoring the squeezed profit position of the new-car dealer—between Detroit and the banker—these percentages mean this: that dealers' 1958 profit on a new car represented \$11 per car sold, **including a finance profit** (which is apparently the only money-making part of the operation) **of \$48 per new car sold.** Without this, dealers would have lost \$37 per new car sold—and a loss of \$37 per transaction seems like no way to stay in business.

Banks, not content with just eying that finance profit, are aggressively seeking and often capturing it.

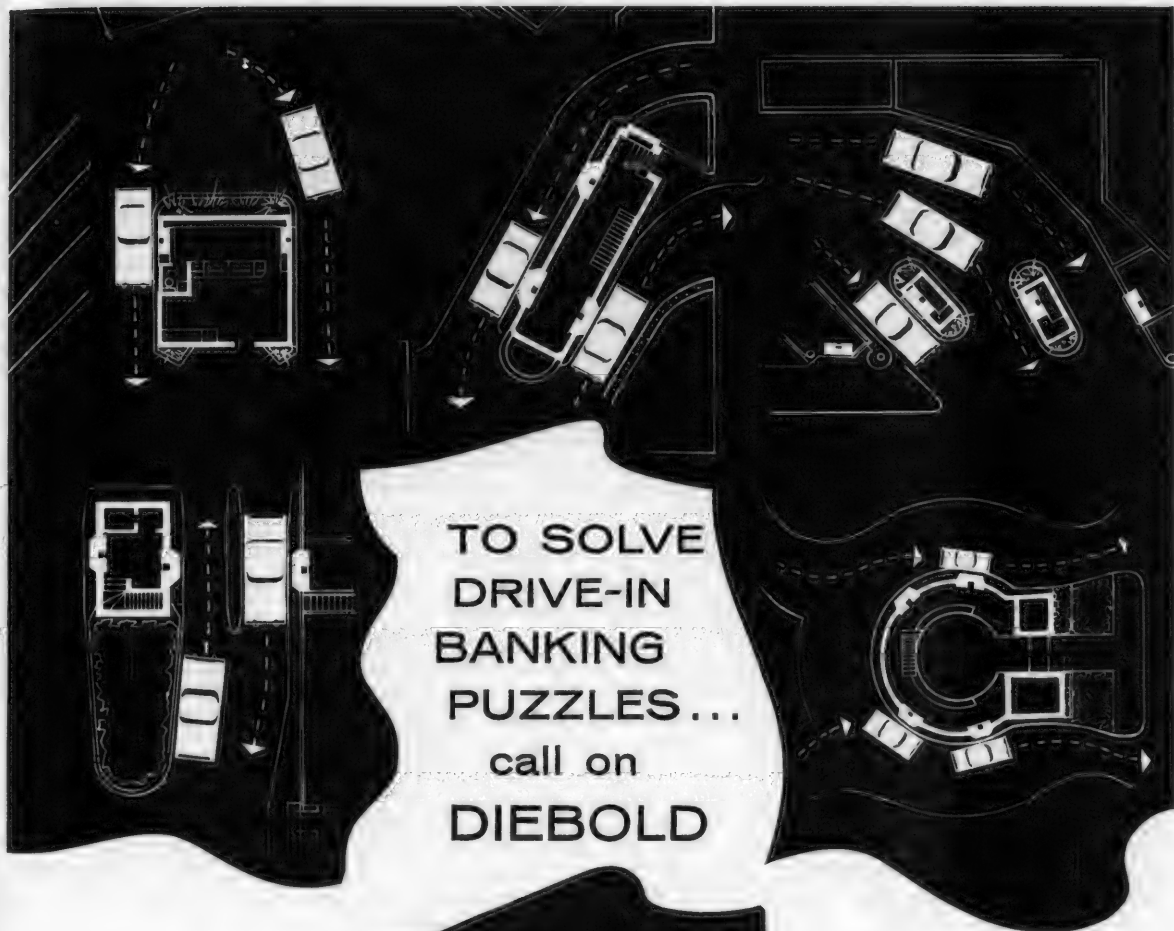
Take away the dealer's profit, says Mr. Galles, and you eliminate the dealer.

Now, if there is no one to sell cars, there are no car sales, and nobody makes a car sale profit—on financing or anything else, as Mr. Galles points out. However, it doesn't seem likely that manufacturers will make cars and nobody will sell them.

And on the other side of the dealer is the manufacturer, with his 1958 profit-after-taxes of 4.4%. So there are two sides at which to look—the dealer's declining finance profit because of business lost to banks, and the fact that this is the area in which manufacturer forces the dealer to take his profit.

Bull Session comments:

- The automobile manufacturers have a profit margin; why don't they pass some of it along to the dealers instead of expecting bankers to carry them?



Diebold's experience and leadership in drive-in banking offers you the most effective, most productive way to bring drive-in banking at its best to your bank.

Whatever your building situation, whatever the traffic pattern, Diebold's intimate knowledge of drive-in banking and comprehensive range of drive-in banking equipment will help you develop the kind of installation that is convenient for your customers and profitable for you.

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● We advertise and get the customer to come to us directly, but at the same time have an arrangement with the dealer to keep him definitely in the picture. We're not trying to take his profit—just get more business for both of us.

● We advertised and talked directly to consumers; now most of our outstandings are instalment loans rather than dealer paper. It took time, but we just showed them we gave the better deal.

Nothing like competition to keep a field healthy, they say (notably, John W. Remington, A.B.A. vice-president), unless you're the fellow that got caught in the competitive squeeze.

Appliance Dealers

Here's another dealer who seems to need the banker's understanding and help, although not in the direction of refraining from competition.

The independent appliance dealer, operating in a highly competitive field that has grown mainly because of the availability of instalment financing, is being given a pretty rough run for his money by discount houses and other competitors. As the second largest durable goods industry in the country, a substantial number of instalment outstandings are tied up in appliances, and it's assumed the banker would like to keep it that way.

Robert E. Brooker, president of Whirlpool Corporation, suggests that the manufacturer and banker both help the dealer to expand into what sounds like the contracting business—designing and coordinating needs for whole new kitchens, laundries, etc.—and turning what might have been a \$250 appliance sale into a \$2,500 kitchen.

Less than 5% of independent dealers are active in this field now. Extension of this activity, Mr. Brooker points out, would mean larger loans on extended terms. What the dealer needs is some know-how advice from the manufacturer, and some encouragement from the banker, which seems to suggest a double-promotion on the bank's part—to the consumer and the dealer both. Here's an opportunity to help an industry and to evolve smaller appliance loans into larger home improvement loans.

MORNING SESSION CHAIRMEN



Monday: Edward J. Frey, left, president, Union Bank & Trust Co., Grand Rapids, Mich., Commission chairman; Wednesday, Philip Woolcott, right, president, Bank of Asheville, N. C.



Visiting educators exchange views at the National Instalment Credit Conference. Inviting representatives of university schools of banking and business to A.B.A. meetings is an important step toward solving banker-educator problems. Guests at the March NICC in Chicago were: Robert P. Shay, University of Maine; Lowell C. Yoder, University of Florida; Roland Stucki, University of Utah; Robert J. Oppitz, Northwestern University; David H. McKinley, The Pennsylvania State University; John M. Chapman, Columbia University; and Donald P. Jacobs, Northwestern University.

Line-of-credit

How about "check-credit" plans? Well, "how about them" created quite a stir at a full-to-overflowing evening panel session. Questions, answers, and general interest ran so high that we're including a special report on page 105.

Consensus on general prognosis for this line-of-credit offering in terms of banks, the consumer, and the economy were more than good. At the time of the conference, and even as we go to press, bank participation in this type of plan is snowballing right in the footsteps of the general enthusiasm. In one recent week, Bankers Trust in New York City, Security Bank of Oregon, Portland, and First Wisconsin National Bank, Milwaukee, announced their "check-credit" plans—just to name three of differing size and area classification entering the field.

Anticipated Credit Growth: Is It Dangerous?

An increase of almost 50% in dollar volume of instalment loans is predicted by 1965. Overly optimistic? Or dangerous?

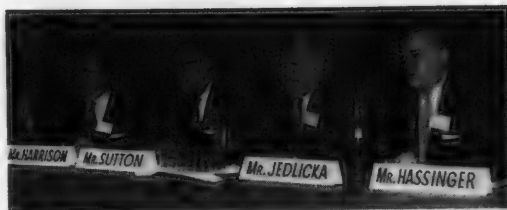
Ben H. Wooten, president, First National Bank in Dallas, Tex., pointed out that at the end of 1958 instalment outstandings were over 3½ times what they were 10 years ago. And that World War II babies are reaching their marriage and family years. So a large increase is neither amazing, because of past growth, nor a wild prediction, because of anticipated growth in goods-purchasing consumer population.

As for danger—well, good collection experience has been continuously reported by banks, even during our recently recessed period. In the few instances when a consumer has overburdened himself, it's usually because of a salesman's influence, not a credit man's.

"One responsibility that falls on us who administer credit is to hold fast to our credit standards through every kind of economic weather. We should strive to keep credit decisions in the hands of credit men and out of the hands of salesmen."

Check-Credit Explained by Instalment Credit Panel

A wealth of actual experience provided these answers at the National Instalment Credit Conference



RICHARD L. KRAYBILL

JUST about the hottest idea in consumer credit is the new check-credit plan, judging by the reaction of 1,800 bankers at the A.B.A. National Instalment Credit Conference in Chicago, March 9-11. A special panel session, on this single subject, attracted virtually everyone.

Essentially the plan consists of establishing a revolving line of credit for a customer which he may draw on at any time by simply writing a check. Cashing the check automatically creates a loan against which he must make regular monthly payments. Each payment reduces his loan balance and raises his credit balance.

The basic outline of the plan was explained by Harold B. Hassinger, vice-president of the First National Bank of Boston, where the plan originated five years ago under the guiding hand of Roger Damon, now a senior vice-president. Following this, the audience aimed a two-hour stream of questions at him and the other panel members: W. M. Harrison, vice-president, First National Bank and Trust Company, Oklahoma City; Cyril J. Jedlicka, senior vice-president, City National Bank and Trust Company, Kansas City, Mo.; and G. S. Sutton, senior vice-president, First National Bank in Dallas.

A show of hands among the 1,800 indicated about 40 or 50 had already adopted the plan in some form. A spot-check by BANKING among some 25 primarily small bankers reflected keen interest although none had as yet installed it. As one banker put it, "That doesn't mean I won't—it just means I want to learn more before deciding." This was a good chance to learn.

Here are some of the questions along with answers from the panel and from interviews.

Is it like charge-account? No. Check-credit establishes a line of credit the customer may use wherever checks are accepted. Charge-account establishes the customer's credit only with certain stores.

Is it for smaller banks? Yes, if they want it. The service could be limited to no more than a pen-and-ink job for the loan officer. The determining factor is not size; it's what the service can do for you.

Why include it? For profits: depending on how much unsecured personal loan business you're doing and how much you want to do. For publicity: depending on how much new business it may attract for other services. For service: depending on how difficult it is for customers to visit the bank when they want a personal loan. For competition: depending on the reasons why customers drift away.

How do you get customers? Use all your regular advertising media. It was the consensus that broad-scale publicity was best, except in the rare instances when a bank restricts it to selected customers.

Who wants it? It appeals most to young, married men on the way up. They face the immediate costs of starting a home and family, but their current income is stable and their outlook is promising. Next are people with fluctuating incomes who must meet periodic expenses. Their income, while adequate, is not geared to meet regular bills.

How many rejects? Experience has varied from 20% to 40% rejections, but some rejects are converted to other types of loans.

Replaces personal loans? It doesn't reduce the over-all volume of per-

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COIN HANDLING
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**JOHNSON Lightning
CHANGE-MAKER**



Makes change fast, accurately. Stops short-change, over-change. Handles rush hour crowds smoothly, without extra help. Budget-priced, yet built for years of trouble-free performance.

**Portable Electric
COIN COUNTER**

Counts and wraps pennies to halves inclusive; also tokens. Chain driven. Equipped with re-set cyclometer. Light-weight, compact. Priced to make it an outstanding value.



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sonal loans. Some personal loan business switches to check-credit when that service is offered, but this is more than offset by the new customers attracted to the bank.

How about costs? Acquisition cost is high because a thorough initial investigation is essential; but it isn't repeated for each loan. Monthly statements are required; but you don't have the cost of coupon books. A very rough rule of thumb is to count on the time of one person for every 1,000 accounts; but juggling time and people can often cut that ratio. After balancing all the factors, reports on costs ran from "negligible" to "no more than any other loan service."

Bookkeeping headaches? Could be, unless you hold down the num-

ber of checks a customer writes. The most popular control is a service charge on each check—usually about 25 cents. Some banks set a minimum for any one check—from \$50 to \$200.

Loss experience? Depends on how selective you are. Losses generally were from 0.2% to 0.3%.

How much credit? It's based on what the customer can carry. Usually it is 12 times the monthly payment he can afford.

The maximum credit? Most banks start with a limit between \$1,000 and \$1,800. After a couple of years' experience they may go to \$2,400.

The monthly payments? Most loans are on a 12-month basis; some go to 18 and a few are longer. The monthly payment is usually a fixed

amount based on the total *credit* rather than the total *loan*. In addition the customer pays interest at 1%, or whatever meets the legal requirements.

Reexamine accounts? One banker, in a stable community with few transients, goes over each account once every two years. Others felt it was necessary to look at each account every six months.

How much credit is used? It averages about 60% to 70% of the full credit extended to a customer. The average amount outstanding ran from \$450 to \$600. And the average check, from \$50 to \$75.

Are the checks returned? "No," said the majority, they are kept as evidence of the debt. But some make photocopies to return.



When you have acceptable commercial loans which exceed your legal limits, we will consider participating. Our present legal lending limit is \$4,500,000. Keep us in mind.



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Fifty Million Prospects for Profit

The official emblem of Christmas Club a Corporation is reproduced above. It is one of the best-known symbols on the American scene. In fact . . .

Over Fifty Million Prospects Know It!

Each year millions and millions of people—all prospects for the services of financial institutions—are re-acquainted with this emblem through the advertising of Christmas Club a Corporation. This advertising appears in newspapers, car cards, traveling displays, one-sheet posters, three-sheet posters, taxi posters, railway express trucks, roadside outdoor posters, outdoor displays, radio and banking publications.

These millions of people, many introduced to financial institutions for the first time by Christmas Club a Corporation, are prospects for *all* your services. They are your best source for profitable new business.

When you offer Christmas Club service and display the famous emblem of Christmas Club a Corporation, you invite them through your doors.

**Christmas Club
a Corporation**

Founded by Herbert F. Rawll

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Builds Character • Builds Savings • Builds Business for Financial Institutions

Two Dozen Timely Pointers For Savings and Mortgage People

BANKING's capsule report on the A.B.A.'s 56th Annual Savings and Mortgage Conference and National School Savings Forum in New York, March 2-4. Seven hundred bankers from 31 states registered for this meeting sponsored by the Savings and Mortgage Division

MARY B. LEACH

● **Merchandising Savings:** Don't expect that mere act of raising interest rates on savings deposits or simply announcing that bank will accept savings will bring avalanche of new savings business. *Using some of merchandising techniques of R. H. Macy's and General Motors, plus some peculiar to banking business, is surest road to meeting competition for savings dollar.* These two statements synthesize the thoughts of the speakers on savings deposit merchandising.

Stake of each bank in what happens to whole system may be greater than bankers realize, Louis B. Lundborg, president, Association's Savings and Mortgage Division, told conference. Observers of Washington legislative scene contend much of unfavorable legislation—legislation favoring competing institutions—was passed because some banks refuse to accept savings.

● **Many banks have discovered** that auxiliary services are means of attracting customers for primary services they offer. Banks that arbitrarily limit their operations to a few basic services are reducing their attractiveness to potential customers.

Second conference session speakers. Left to right, John B. Van Haelen, Office Methods Analysts, Inc., Packanack Lake, N. J.; Louis B. Lundborg, Division president and vice-president, Bank of America, San Francisco; Ralph F. Bagwell, vice-president, Bank of Virginia, Richmond; and Dr. Rudolf Modley, management consultant, Kent, Conn. (Photograph of first session speakers may be found on page 4.)



PHOTOGRAPHS BY WEIMAN & LESTER

For first time in several years, in 1957 banks outgained savings and loan associations; indications are that in 1958 they will continue to outgain them. Credit unions today are in about same position competitively as S&Ls were 20 years ago. If banks will supply service and fulfill needs that credit unions have been created to fulfill by doing forthright job of merchandising services they need have no fear of their competition.

● **Inclusion of public speaking in savings sales kit** makes it possible to reach large audiences with both human voice and demonstration, plus a person-to-person intimacy that even TV can't match.

Flannel board technique used by junior officers and department heads to sell savings before all types of groups was demonstrated by Oliver Chumchal of First National Bank of St. Louis.

Need for HUMAN-SALESMANSHIP and IDEA-SALESMANSHIP has only begun to dawn upon bankers, and it is going to grow and grow, Ralph F. Bagwell declared while describing sales gimmicks used successfully to lure savings dollars into The Bank of Virginia and other banks.

Mentioned: special purpose and automatic accounts, advertising directed at women, finance forums, women's page campaign emphasizing open-an-account-by-telephone, promotion of banking-by-mail for busy women, coupons in newspaper ads and pamphlets, aids-to-savers booklet series selling bank as best place to save, cross solicitation (3 x 5 cards on customers using one department of bank but not using another), and give-away premiums.

● **School savings banking** is not an expense to the bank, rather it is an *investment in people—an investment that educates young fry in function of banks and in use of their facilities. It benefits individual, community, and bank.*

This is how Jean M. Turano, assistant to the president, Trenton (N. J.) Savings Fund Society, and chairman, A.B.A.'s Committee on School Savings Banking, epitomized what it does:

For the student: it develops habit of thrift as quality of good character, provides convenience of saving for purpose, and teaches fundamentals of banking.



Housing Legislation and mortgage finance were topics discussed by this group of speakers. *Left to right*, V. R. Stefensen, senior vice-president, First Security Bank of Utah N. A., Salt Lake City; Senator John Sparkman (D. Ala.); Louis S. Finger, vice-president, Savings and Mortgage Division, and president, Andover (Mass.) Savings Bank; and Ben C. Corlett, senior vice-president, A.B.A., Washington

For the school: it enables it to teach thrift through practical experiences, makes provision for development of curriculum in various subjects, and presents method for teaching advantages of capitalism and system of free enterprise. *For the bank:* it provides opportunity to render community service, offers medium for good public relations, and brings name of a bank before parents as well as students.

When banks invest in people through a school savings program they secure long-term investment that will repay them with future depositors.

● *Promotional value of school savings to banks both at present and in future is significant, for no other medium of bank advertising or public relations has a more direct access to the home.*

Our experience with school savings is that it produces immediate results in new business for our bank, Robert McCarter, Middletown (Conn.) Savings Bank, said at workshop for banks with school savings programs.

Fact that schools accept savings projects means that they believe it has value beyond the single consideration of thrift as a personal virtue. Time to begin knowledge of how to deal with one's personal finances is when child has money of his own no matter how small the amount. Ideals of complete integrity, carefulness in competition, orderliness, and promptness in handling one's affairs are ever present as outcome in school savings project.

● *School savings departments should have annual check-ups on their cost of operations.* To be objective, cost analysis should include not only salaries, heat, light, space, upkeep, printing, messenger delivery and similar items, but also interest paid to school savings depositors, administrative and executive overhead, and even necessary additions to surplus attributable to school savings deposits.

● *U. S. Senator Clifford P. Case and all of other speakers heartily agreed that practice of school savings and accompanying thrift education are best possible way to teach younger generation economic facts of life.*

At conclusion of 1957-58 school year, incomplete returns from a survey revealed that 5,177,000 pupils of 15,500 elementary, junior, and senior high schools in 37 states had \$181,195,000 on deposit in school savings accounts in 714 banks.

● *1959 Investment Outlook:* Dr. Roy L. Reiersen, vice-president and chief economist, Bankers Trust Company, New York, summarized study by BTC this-wise:

Looking ahead, demands for investment funds in 1959 are likely to be at least as high as in 1958; an easing in corporate new offerings will probably be offset by a rise in mortgage debt while the addition to state and local government debt is expected to be of the same magnitude as in 1958. However, if the flow of savings is well-maintained, nonbank investing institutions as a group should be able to help absorb a large volume of mortgages and corporate and municipal bond offerings without serious strain, while at the same time adding moderately to their holdings of Government securities. Thus, the problem of placing investment funds in 1959 would not appear unduly troublesome.

● *Method analysis, like market research, is but a tool which permits banks to make more intelligent decisions.* These tools will not decide for bankers, but give them factual information which may assist in decision-making. Cost of procedures are of prime concern of management.

● *Credit unions have pioneered in-plant service during past 50 years. More than 80% of all credit unions—roughly 15,000—are in-plant credit unions. Unique factor about credit unions is combination of savings*

School savings banking forum banquet was addressed by Senator Clifford P. Case (R., N. J.), speaking. Seated, *left to right*, Forum Chairman Jean M. Turano; John de Laittre, vice-president, National Association of Mutual Savings Banks, and president, The Farmers & Mechanics Savings Bank, Minneapolis; and Dr. Bertha Lawrence, professor emeritus, Trenton (N. J.) State Teachers College





Workshop session for banks without school savings program was led by Winthrop Newcomb, vice-president and treasurer, Andover (Mass.) Savings Bank, *speaking*. Consultants: Harriet L. Hunsworth, associate director, School and Salary Savings, The Philadelphia Savings Fund Society, Philadelphia, and Melville M. Parker, executive vice-president, First National Bank, Lebanon, Pa.

and consumer instalment lending in one organization. There is room in in-plant field for credit unions and for progressive commercial banks. *There are probably as many as 130,000 places of business in U.S.A. suitable to in-plant service, 110,000 of them in industrial and commercial establishments. Only 10 to 12% of these have credit unions. \$240-billion go out in salaries and wages every year through plants, offices, and stores. If only a single percent can be channeled into in-plant savings accounts, it means \$2.4-billion per year.*

● *Government role in housing* created the only area of disagreement among speakers. Senator John Sparkman expressed the opinion that Federal Government has a moral obligation to assist people of nation in meeting their housing needs; to provide assistance necessary to achieve agreed upon solutions where achievement cannot or will not be realized without Federal help.

Housing legislation passed in recent years has been helpful and the Senator believes it has the active support of individual bankers and A.B.A.

● Washington Economist Miles Colean expressed the conviction that *Government-sponsored home mortgage credit systems operated by the FHA and VA*, in guise of stabilizing the mortgage market, promoting continuity in building activity, and helping home buyer, *have produced the most unstable element in whole economy. Proof: Number of private houses started under FHA and VA has varied as much as 46% up and more than 40% down in a single year.*

Mr. Colean contends that we are creating—in fact, to a large extent have already created, a situation in which *business decisions are made less on basis of market considerations than they are on supposed effects of actual or anticipated governmental decisions.*

● *Inflation adds to housing shortage by making repairs and upkeep so expensive that it becomes profitable to neglect properties*, Dr. Kurt F. Flexner, director of Mortgage Finance, A.B.A., asserted. Inflation, he feels, discourages adequate upkeep and improvements, increases housing costs by inevitable upward pressures on local taxes, and is a threat to private housing by reducing attractiveness of thrift and long-term debts

as an investment. *Increases cost by forcing up money rates in general.*

Remedy: Attack on inflationary housing should proceed from two directions—against inflation in general and against high housing costs and land speculation in particular; modern techniques should be written into building codes; union featherbedding, especially heavy in housing industries, should be abolished.

● *Words "savings" and "mortgages" go together* like a horse and carriage. Banks pay heavy penalty in field of competition for traditional right to greater range of investment opportunities. Unless banks—all types, in all localities—adopt a more liberal attitude and really enter savings and mortgage business *in big way*, they can look to even *further encroachment* in their field *by savings and loan group*. Banks should be more careful in allocation and handling of funds they earmark for mortgage lending to be sure valve will not be turned on and off with every shift in money market.

● *Mortgage lending officer* should inform himself and keep his bank's management informed as to legislative developments in his field, A.B.A.'s Ben C. Corlett firmly believes. The m.o. qualifies as an expert and A.B.A.'s Committee on Federal Legislation is vehicle through which he can convey his thoughts regarding needed legislation. He should also make his recommendations to appropriate committee of his state bankers association for changes in state laws.

Mr. Corlett believes all bankers and businessmen have an obligation to take some part in determination of *kind of government they want and will accept.*

● *Looking Ahead: Armstrong Cork's* Walter E. Hoadley sees 1960 shaping up better than 1959, with heavy presidential election overtones. Another recession in 1961-62 and in middle of decade ahead is possibility. Recent tendency has been sharper and shorter recessions. Fairly severe business setback in 1960s should not be ruled out, especially if boom periods are not restrained.

● *Fair competition:* It certainly is not unfair competition to inform general public that product "A" is not same as product "B." It is not unfair competition to educate your depositors or general public when there is difference between banks and competing institutions—whether it be difference in nature of investment, differences in liquidity, or differences in safety.

Workshop for banks with school savings program was led by Robert McCarter, assistant secretary, Middletown (Conn.) Savings Bank, *right*. Consultants, Ralph Warren, manager, Savings Department, Farmers Bank of Delaware, Dover, and Dorothy T. Condon, assistant secretary, Auburn (N. Y.) Savings Bank





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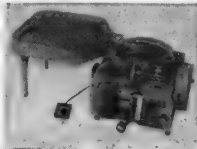
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(CONTINUED FROM PAGE 39)

The report bore unmistakably the stamp of the economic views of the new committee chairman, Senator Paul H. Douglas of Illinois, an economist. Senator Douglas appeared to be more concerned about the immediate problems of unemployment and growth than with the long-run threat of inflation.

Six Republican members of the committee, however, in a minority report declared: "The surest way now to provide additional job opportunities is precisely that called for under the Employment Act; namely, to create a climate in which industry, agriculture, and the service trades will be enabled to expand, thereby creating jobs and the purchasing power with which the products of maximum production may be moved. A dynamic economy fostered by private initiative and innovation coupled with a continuing flow of savings and confidence that Government itself will not arbitrarily inter-

Silver Anniversary

IN recognition of its 25th birthday, the Federal Deposit Insurance Corporation has expanded and dressed up in a silver cover its yearend report to insured banks. It was published February 19 and signed by Jesse P. Wolcott, chairman.

Commenting on the experience gained in the administration of Federal deposit insurance, Mr. Wolcott declared:

"Techniques have been developed for protecting insured depositors of banks in serious financial difficulties. The corporation has also endeavored to promote sound banking and to prevent the development of unsafe or unsound practices. These will continue to be its goals in the years ahead."

The report reviewed the FDIC's history from its creation in The Banking Act of 1933 and traced its growth to the important and impressive agency that today protects 140,000,000 bank accounts in 13,365 insured banks and their 9,262 branches.

The corporation has a deposit insurance fund amounting to \$1,965,000,000 as of December 31, which

here is the best way to foster these conditions."

Full-scale Study of Economy

The Joint Economic Committee will be much in the news in the months to come. It is launched on what Senate Majority Leader Lyndon Johnson of Texas referred to as another Temporary National Economic Committee (the famous TNEC) inquiry. The Senate allowed the committee \$200,000 working funds for this year. Additional staff members are being added to the competent staff which the committee already has.

Although this will in effect be a full-scale study of our economic system, the second of the seven specific subjects enumerated will be of special interest to bankers.

This is:

"Inflation and deflation caused by increases and decreases in the effective supply of money and credit and the effect of these and of interest rates on growth, employment, and economic stability."

The study will be under the gen-

for FDIC

represents the cumulative net income of the corporation from its inception. The fund is a reserve for the protection of deposits of insured banks.

DURING its 25 years of operation the Corporation has made disbursements to protect approximately 1,500,000 depositors in 436 banks which were in serious financial difficulties. Nine-tenths of the cases occurred during the first 10 years of deposit insurance.

Total deposits in the banks where disbursements were required amounted to nearly \$600,000,000; and more than 99% of this amount, including all insured deposits, was paid or made available to bank depositors.

The Corporation took the occasion to reiterate its encouragement of banks to develop audit programs, pointing out that its examinations are not substitutes for adequate continuing internal audits or periodic audits by outside accountants. The Corporation also urged banks to carry adequate fidelity bonds as a protection against losses from defalcation.

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the road (long though it may be) to debt-free ownership of his home; and indeed it may encourage him to extra effort to maintain his scheduled progress toward that goal.

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eral direction of the committee as a whole, although specific task forces may be created to deal with subdivisions of the inquiry. Despite the headlines that such a far-reaching investigation is bound to produce, it must be remembered that the Joint Economic Committee can only advise on legislation. It cannot act on it.

Clarifying a Point

No less than Senator Robertson made this point recently. It was at the Finance Industry Conference held at the U. S. Chamber of Commerce that Senator Robertson said:

"As to the studies which have been, or are about to be undertaken, I will follow them with great interest.

"For while these committees and commissions may propose, to a large measure, the committee of which I am chairman, will dispose."

The Executive Branch also has a committee, known as the President's Cabinet Committee and headed by Vice-president Nixon, studying ways of stabilizing the economy against inflation and the wage-price spiral.

There is a possibility of still another investigation of our money and credit systems, this one with special attention to "both the public and private agencies of banking and finance." That is the inquiry of a Select Committee with subpoena powers proposed by Representative Wright Patman of Texas in his Resolution 50. The approval of House Speaker Rayburn was not forthcoming at the time this was written. Without it Mr. Patman's resolution would not seem to have much of a chance.

Nonetheless on March 5 Mr. Patman announced that "in a very short time, the next day or two, I expect to be presumptuous enough to send a letter around to the members of the House asking them if they would like to be notified of a meeting in the Caucus Room, at which we expect to organize a bloc for the purpose of sponsoring this resolution having to do with correcting this high-interest hard-money policy." The upshot of this was not known to the writer when this article was written.

Bank and Fund

It would appear at this writing that Congress will grant the \$1.375-billion increase (from a total of \$2.75-billion to \$4.125-billion) in the U. S. quota in the International

Monetary Fund and double our subscription to the capital of the World Bank.

The net effect of this, as reported by Secretary of the Treasury Anderson to the House Banking Committee, was:

"No budgetary provision is needed in the case of the Bank, and while in the case of the Fund the entire additional quota of \$1.375-billion is included in the budget, only the gold payment of \$344,000,000 really represents an immediate expenditure."

In an earlier speech Secretary Anderson pointed out that "these subscriptions require no cash outlays." He explained:

"The subscriptions to the capital stock of the banks constitute a contingent liability of all of the member governments to meet the obligations of the bank. In this way the Bank is able to secure adequate loan funds at reasonable rates of interest in the open market."

John J. McCloy, chairman of the board of The Chase Manhattan Bank in New York, testified before the House Banking Committee on behalf of the A.B.A. in support of the two bills which would amend the Bretton Woods Agreements Act to authorize the increases.

USCofC Proposal

The Chamber of Commerce of the United States filed a statement supporting the subscriptions but urged that they go through the regular appropriations processes in Congress rather than as a direct authorization on the Treasury.

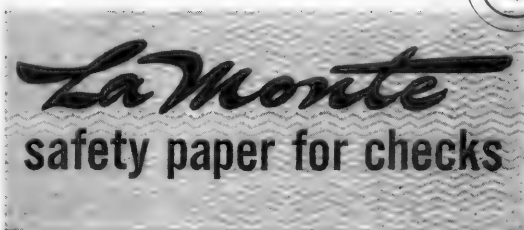
The Chamber's point about clearing through appropriations ties in with the fight being waged by Representative Howard Smith of Virginia, chairman of the House Rules Committee, for H. Res. 161, designed to restore and preserve appropriation control by Congress over Federal agency spending. Chairman Smith's resolution would stop the practice, developed in the last 25 years, of authorizing a Federal agency to finance certain activities on a long-term basis by issuing debt securities to the Treasury in exchange for public debt funds. The result is that the agency or its activity is freed from appropriation financing and its program need not be justified to the appropriations committees of Congress on an annual basis.

Identical bills have been intro-



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duced by Representatives A. S. Herlong, Jr., of Florida and Thomas B. Curtis of Missouri to permit investment companies to pass along the tax-exempt interest on state and local bonds to shareholders without loss of the tax exemption en route. The bill was referred to the House Ways and Means Committee. Similar bills have been introduced in the last few years without action despite strong pressures from municipalities and school districts.

Housing and Airport Aid

The so-called "budget-busting"

housing and airport aid bills, which were supposed to be steam-rolled right through Congress, are off-schedule. At writing, it appeared that they would not come up for floor action until after the Easter Recess.

The idea in the beginning seemed to be to rush the bills through to challenge President Eisenhower's veto. If he was overridden the Democratic majority in the Congress would be in full control. But the aggressive campaign that the President has carried on to keep his 1960 budget balanced, as precarious as it

is, has apparently given some pause.

Then there is the hurdle of Chairman Smith and five supporting members on the 12-member House Rules Committee. Mr. Smith is reported to be unsympathetic to the bills, not only because of the expenditures involved but also because of the manner of the expenditures.

The \$2.1-billion housing bill which is \$500,000,000 more than the Administration asked for was reported out by the House Banking Committee February 26. The same day the Interstate and Foreign Commerce Committee reported a \$297,000,000 airport aid bill authorizing \$97,000,000 more Federal aid to states and localities for airports than the President sought.

Tax Revision

Chairman Wilbur D. Mills of the House Ways and Means Committee told the Tax Executives Institute in Washington that he could not see tax reduction in the picture this year. He said: "Tax reduction, as such, consistent with economic stability should be deferred until budget surpluses can be more accurately foreseen. On the other hand, I do not see any tax increases in the picture for 1959, either."

If he could not see tax reduction he could see tax revision. Mr. Mills said he was convinced that our war-engendered tax system "has contributed materially to many of the present difficulties in specific industries and is having an effect on employment, economic stability, and growth." He added:

"Some apparently feel that we should await the time when we foresee a budget surplus. I do not hold to this belief, because I do not see any wisdom in deferring reform of our tax laws contingent on the realization of a surplus, if the desired state of economic growth is impeded by our tax structure.

"It seems to me that the tighter the budgetary situation we anticipate, and, under this theory, the more remote the prospects for tax reduction, the stronger becomes the case for revising our tax laws."

Mr. Mills' concept of tax revision means "intelligently broadening, rather than narrowing, the tax base and thereby lowering the rates of tax for everyone." He said that eliminating unjustified tax differentials and preferences is the basic means to this end.

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Merger Trend

(CONTINUED FROM PAGE 36)

While there seems to be general agreement in Washington that the acquisition by one bank of the assets of another is now not adequately regulated but should be, by law, there is a sharp difference of opinion within the executive branch and also in Congress as to whether the Justice Department should have a voice in the regulation. There is also controversy in Washington concerning the competition criterion: whether a bank merger should be disapproved if it lessens competition "unduly" or only "substantially."

Mergers, branching, and holding companies are also a hot subject in some states, notably New York State. Some important big-bank mergers have occurred in recent years in New York City. Efforts to circumvent or legislatively alter the banking-district restrictions on branching have resulted in political activity in Washington as well as Albany. Thus, New York's Congressman Emanuel Celler (D.) has become a prominent critic of efforts to make big banks bigger.

A recent report of the New York State Banking Department, *Postwar Banking Developments in New York State—A Summary Report*, devotes a chapter to bank mergers, their causes, characteristics, and effects. The study, which was carried out at the Syracuse University Business Research Center, concludes that bank mergers have been beneficial to the merged institutions and have not injured independent banks remaining in communities where mergers have occurred. This New York report, therefore, tends to fortify the contention of the Comptroller of the Currency and others that competition in the regulated banking industry is not being destroyed by mergers.

Old Kent and Wachovia Cases

In two recent cases involving absorption of national banks by state banks, where state supervisory authorities have given their consent but the Federal Reserve Board has denied its approval, suits have been filed against the Board in U. S. District Courts. These two cases are those of Old Kent Bank, Grand Rapids, Mich., and the Wachovia

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In July 1958 the Michigan Banking Commission approved Old Kent's absorption of People's National Bank and the continued operation of the latter's branches by Old Kent. The Federal Reserve Board, however, disapproves because of what it regards as the adverse effect such operation would have on competition in the area. In January 1959 the National Association of Supervisors of State Banks was granted leave by the U. S. District Court for the District of Columbia to appear as *amicus curiae* in Old Kent's suit against the Board.

Wachovia, which in November 1958 took over a member bank, the Wilmington Savings and Trust Co., obtained the state banking department's approval of the operation of the branches of the Wilmington bank but was denied approval by the Federal Reserve Board. In February Wachovia took the Board to court, having been denied a hearing by the Board. In its suit the bank stated that there was "real and imminent danger" that, unless the court granted relief, the Board would terminate Wachovia's membership in the System and remove its officers and directors from office.

Successful Applications in California

The application of the First-america Corporation for the Federal Reserve Board's prior approval, pursuant to the Bank Holding Company Act of 1956, of the acquisition of 80% or more of the outstanding voting shares of the California Bank, Los Angeles, was successful. In January 1959 a majority of the Board agreed to the step and the subsequent merger of California Bank with the First Western Bank and Trust Company of San Francisco. A statement accompanying the Board's decision discussed in some detail the pros and cons of the move. At the same time Governor J. L. Robertson set forth his reasons for opposing the Board's action, arguing that the merger would increase concentration of banking power in California and adversely affect the public interest and convenience by eliminating substantial banking competition, present and potential, and so deprive the public of a major alternative source of banking facilities.

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14% of '58 Housing Starts Were New Mobile Homes

U.S. Department of Commerce, Building Material Division has released statistics showing that 14 new mobile homes were shipped by manufacturers for every 100 housing starts in the United States during 1958. Prefabricated dwellings accounted for only 6.8% of the stationary housing total! These figures show that mobile homes' share of U.S. housing continues its steady rise.

Bankers Group Feted at Annual MHMA National Show in Louisville

Over 200 bankers and finance company executives were guests of the Mobile Homes Manufacturers Assn., at a special luncheon during the association's annual mobile home show in Louisville. Executives of Foremost Insurance Company also were included in this luncheon meeting.

Bankers were told that the "business feeling" within the mobile home industry as a whole is exceptionally high. Evidence was a record high of 85 manufacturers exhibiting more than 300 mobile homes and travel trailers.

Financial factors also had their attention called to the opportunities in financing mobile home parks created by the increasing demand for additional parking space for larger homes as well as a growing volume of mobile home purchases by families.

Consultant Retained To Aid Amicable Growth of Mobile Home Parks

MHMA has secured the services of Carl L. Gardner, former city planner for Chicago and prominent planning consultant, to help facilitate the friendly acceptance and establishment of new mobile home parks badly needed by the ever-growing mobile home population. He will be available to advise city plan boards on zoning changes, and to help park promoters secure necessary changes in local regulations.

THESE INFORMATIVE HIGHLIGHTS ON ONE OF AMERICA'S IMPORTANT INDUSTRIES ARE PRESENTED IN THE HOPES OF BETTER UNDERSTANDING OF MOBILE LIFE . . . BY

FOREMOST
INSURANCE COMPANY

Grand Rapids 3, Mich.

No. 1 SPECIALIST IN
MOBILEHOME PROTECTION

'59 Study Courses for N. Y. Bankers

THE 1959 program of the School of Banking of the New York State Bankers Association was announced recently by Executive Vice-president Albert L. Muench.

The calendar follows:

Resident Institute of Banking: Freshmen class of 1959, April 19-May 1. The association will conduct a complete academic and accredited course of study in banking and finance.

Bankers Institute for Executive Development: May 3-15. This Institute is designed for middle and senior management people to furnish them with a field of study leading to a broadened and matured managerial perspective.

Resident Institute of Banking: Junior class of 1958—May 17-29. This is the second of three resident sessions of an accredited course of study in banking and finance leading to the standard certificate awarded by the American Institute of Banking.

Trust New Business School: June 8-12. This program is designed primarily to assist banks in maintaining a continuous flow of new trust business by training men in the latest and most successful methods of selling trust department services.

Estate and Trust Administration School: June 14-19. A brand new program offering for the first time an administrative school for senior clerical personnel and junior administrative officers.

Bankers School of Agriculture: August 16-21. This school will be held on the campus of the State College of Agriculture and is designed to furnish bankers with a first-hand intimate knowledge of the subject of agriculture as a basis for sound farm credit.

Graduate Bankers Agricultural Seminar: August 16-18. This seminar is designed for graduates of the Agriculture School and for senior management people. It deals with the economics of farm finance.

Investment Seminar: September 18. This popular 1-day meeting is a review and outlook study for banking's investment portfolio.

Credit Life
INSURANCE COMPANY
Springfield, Ohio

Licensed in all 49 States,
D. C., Hawaii and Canada

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BANKING STUDIES
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225 East 46th St., New York 17, N. Y.

Why Pass Up Extra Commissions?

Leading passbook manufacturer now has several territories open for aggressive men calling on banks to sell all types of passbooks and pocket check covers. Commission basis.

WILLIAM EXLINE, INC.
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man
conquers
mountains



And, some day, man
will also conquer cancer.
With your help.

Guard your family . . .
fight cancer with
a checkup and a check

AMERICAN CANCER SOCIETY

COMMERCIAL UNION GROUP

RESOURCES for protection

FIRE

CASUALTY

BONDS



Prominent in today's thinking are the huge resources that must be budgeted for National Defense. They reflect the enormous cost of defending our country and our freedom.

Of particular interest to those people and businesses that buy insurance, are the "Resources for Protection," of the companies in which they are insured. Such resources are the basis of the individual and business security of thousands of our citizens and are therefore also vital to our national defense. Sound management, steadfast adherence to proven standards of financial practice and strict compliance with statutory safeguards underlie the Resources of The Commercial Union Group of Insurance Companies shown below for public information. These demonstrate that the policyholders of our companies are assured of adequate Resources for their Protection.

AUTO

MARINE

AVIATION



United States Resources - December 31, 1958

COMPANIES OF THE COMMERCIAL UNION GROUP	*ADMITTED ASSETS	LIABILITIES	CAPITAL OR STATUTORY DEPOSIT	SECURITIES DEPOSITED AS REQUIRED BY LAW	SURPLUS TO POLICYHOLDERS (Including Capital)	
					ANNUAL STATEMENT BASIS	MARKET VALUE BASIS
Commercial Union Assurance Co. Ltd. † ORGANIZED 1861	\$ 41,185,973	\$26,605,245	\$ 500,000	\$1,183,882	\$14,580,729	\$13,399,883
The Ocean Accident & Guarantee Corp. Ltd. † ORGANIZED 1871	38,774,878	24,175,131	850,000	1,259,759	14,599,747	13,903,352
American Central Insurance Company ORGANIZED 1853	20,331,742	11,411,712	1,000,000	984,384	8,920,029	8,344,562
The British General Insurance Co. Ltd. † ORGANIZED 1904	4,555,257	1,934,010	500,000	949,024	2,621,247	2,437,840
The California Insurance Company ORGANIZED 1864	11,838,620	6,809,036	1,000,000	617,738	5,029,584	4,727,042
Columbia Casualty Company ORGANIZED 1920	23,096,850	14,505,078	1,000,000	906,764	8,591,772	8,090,434
The Commercial Union Fire Ins. Co. of N.Y. ORGANIZED 1890	9,814,957	5,802,031	1,000,000	467,222	4,012,925	3,717,443
The Palatine Insurance Company Ltd. † ORGANIZED 1886	7,269,052	3,868,021	500,000	1,071,990	3,401,032	3,164,740
Union Assurance Society Limited † ORGANIZED 1714	6,800,648	3,868,021	500,000	1,068,406	2,932,627	2,715,131
Total - Group	\$163,667,977	\$98,978,285	\$6,850,000	\$8,509,169	\$64,689,692	\$60,500,427

† United States Branch

The Amount shown under "Capital or Statutory Deposit" is the amount required in order to transact business in the United States.

* Includes Securities Deposited as required by Law.

THE COMMERCIAL UNION GROUP

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NEW YORK, N. Y.

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CHICAGO

SAN FRANCISCO



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when you use the correspondent
bank facilities
of the . . .

The bank for bankers
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The test of a system is its record . . . In school savings it's **SCHOOL THRIFT**, for 30 years! That's why our systems spell s-u-c-c-e-s-s. To fit your bank's internal set-up, we feature a package supply service or "books only" type program **PLUS** year around promotion.

Write **BOX AB** below
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Yonkers, N. Y. | **BRANCH** 137 Perkins Ave.
Brockton, Mass.

**SCHOOL
THRIFT**
INCORPORATED

Dollar Erosion

(CONTINUED FROM PAGE 75)

economy are not only gambling with the financial integrity of the nation. They are proposing to close an economic vise on millions of families with relatively low fixed incomes—especially the retired families. If a retired couple lives 15 years beyond retirement, a 3% inflation per year would eventually cut the purchasing power of their pension by about half, leaving many of them in destitution. The loss in the value of life insurance programs of other families would be even more serious, since an investment in life insurance is usually built up over much longer periods. Savings accounts, mortgages, Government bonds, and other such investments would lose all appeal. Essential savings for capital expansion would be discouraged, and eventually might even be eliminated.

Inflation Will Intensify Farm Financial Problems

Farm families for whom I have deep responsibilities have a vital stake also in this problem. Already they have suffered much from rising costs, especially in the immediate postwar years.

Between 1939 and 1952 the index of prices paid by farmers, including interest and taxes, more than doubled—rising from 123 to 287. From 1952 to 1958 the index level rose only 2%. But the sharp increase from 1939 to 1952 created problems for our farmers that they are powerless to control. It has adversely affected net farm income, and it will

(CONTINUED ON PAGE 124)

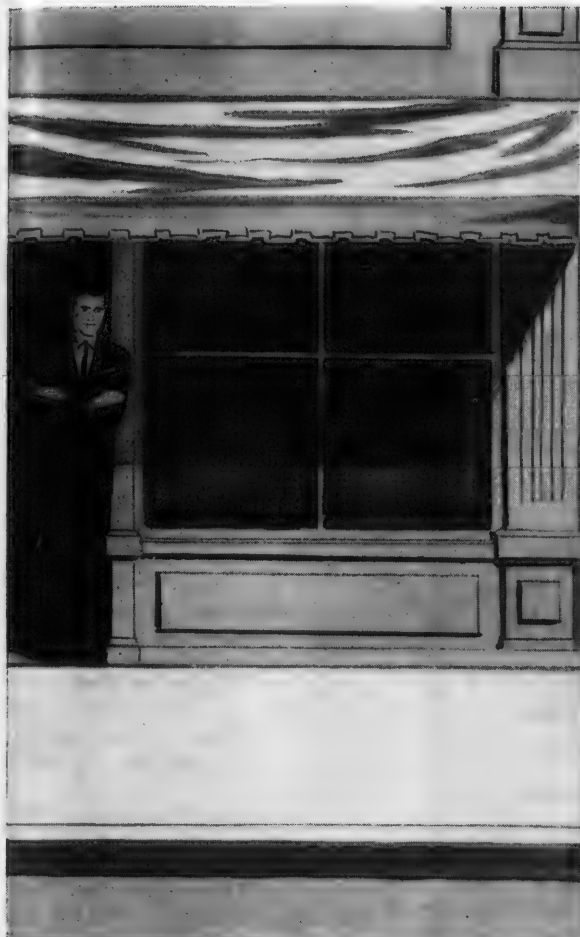


"I want a brand new joke for my speech . . . and make it funny!"

BANKING

Does your bank look like

"BEFORE" or "AFTER"?

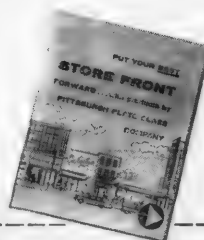


Does the front of your bank suffer from comparison with other ones in the neighborhood? A new or remodeled building located next door—or even down the street—*could* make your bank look like the "before" in a series of "before and after" photos.

A Pittsburgh Open-Vision Store Front can dress up your bank to help you compete successfully for the attention and patronage of passers-by. Its modern design tells people yours is an up-to-date establishment. Its open vision

enables you to display the interior of your bank to potential depositors. As a result, your prestige and traffic increase.

Pittsburgh Plate has an imposing array of store front products to choose from, and their design possibilities are practically unlimited. Once a bank manager sees his new Pittsburgh Open-Vision Store Front, he's *glad* to have it featured in "before and after" photos! So, if you're interested, send for our free booklet, "Put Your Best Store Front Forward." There is no obligation.



Pittsburgh Plate Glass Company
Room 9149, 632 Fort Duquesne Blvd.
Pittsburgh 22, Pennsylvania

Please send me a FREE copy of your store front booklet, "Put Your Best Store Front Forward."

Name _____
Address _____
City _____ State _____



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PITTSBURGH PLATE GLASS COMPANY

IN CANADA: CANADIAN PITTSBURGH INDUSTRIES LIMITED

Have you heard about

ARIZONA'S economic climate?



THE
NATION'S
FASTEST
GROWING
ECONOMY

	1948	1958
Agricultural Income	\$228,959,000	\$ 390,000,000
Mineral Production	196,208,000	318,076,000
Tourist Expenditure	90,000,000	250,000,000
Bank Deposits	424,717,559	1,042,554,000

Of course, MANUFACTURING ranks first among our major sources of income. Here are some of the people who can tell you why they chose ARIZONA:

AiResearch Manufacturing Company of Arizona, Consolidated Aircraft, Goodyear Aircraft, Reynolds Metals Company . . . Motorola, General Electric, Sperry Rand, Kaiser Aircraft & Electronic Corp. and Kaiser Steel, Babb Company, National Malleable and Steel Casting Company . . . International Electronics, Collins Radio, Westinghouse's Mal-Par division, Casa Grande Mills (Parsons & Baker) . . . Infilco, Hughes Company, Douglas Aircraft . . .

Carl A. Binson
President



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about Arizona

ASK THE ONE BANK
THAT SERVES ALL ARIZONA

"Arizona's Bank" Resources Over \$1/2 Billion



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PRINCIPAL CITIES

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If you must liquidate a mobilehome, within reach of one of
our locations, we will arrange pick-up, advance any charges
and negotiate sale for your account.

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6150 West Washington CH 1-3326	7807 East 40 Highway WA 3-1663	9441 East Admiral TE 5-0283	2855 South Broadway LY 1-2061	4625 West Celfax AL 5-8257	3020 East Van Buren BR 5-8113	2501 N.W. 79th St. PL 7-2012	9600 Atlantic (Southgate) LO 7-2724

(CONTINUED FROM PAGE 122)

continue to do so. Further inflation will intensify the problem.

Effect of Inflation on France

We can see what a terrible thing inflation is by what it has done to the people of France. In that country the cost of living today is said to be 37 times what it was about 30 years ago. A pound of butter that cost 10 francs in 1927 is 410 francs today.

Men who put aside savings for substantial annuities find that their pensions are worth only 15% of what they were in 1940. The pensions of French veterans of World War I—pensions once considered adequate—have depreciated to a value of 70 cents a month. We must not say it cannot happen here. The people of France never thought it would happen there.

Keep Nation Financially Sound

We must ponder these things seriously. And we must accept the responsibility of helping our fellow-citizens see their import. We have a moral obligation to maintain this nation on a financially sound basis.

We cannot spend ourselves into prosperity. Nor can we preserve our prosperity and our free enterprise system by following a reckless policy of spending beyond our income in peacetime.

We must have a tax policy which is not confiscatory and a budget policy which prevents inflation. Individuals and firms—labor and management—banking and finance—must urge wage and price policies which prevent inflation.

The days ahead for America are sobering and challenging. They will demand the faith, prayers, and loyalty of every one of us. Our challenge is to keep this nation strong—strong economically, strong socially, and above all, spiritually strong—if our way of life is to endure. There is no other way. Only in this course is there safety for our nation. God grant that we may meet the challenge.

It's not only the cost and the upkeep of a car that worry you, but also the possible turnover.

The philosopher who said that work well done never needs doing over never weeded a garden.

Equipment Users and Makers

(CONTINUED FROM PAGE 47)

sorter will be the next step in the bank's automation program.

Special Checks

Manufacturers National Bank of Detroit is using an IBM 650 RAMAC to maintain records on more than 68,000 special checking accounts in its 38 offices. Up to 40,000 deposit and withdrawal transactions are processed daily.

Largest Drive-in

Central Bank & Trust Company, Denver, is operating what's said to be the nation's largest drive-in and walk-up banking facilities. Installations by Diebold, Incorporated, include 10 windows for motorists and four for pedestrians. Three more walk-up windows can be added.

Control Center

A console-type monitoring and control center for operating mechanical services is expected to cut maintenance costs in the new 14-story main office of the National Bank of Detroit. The equipment is described as a composite adaptation of the systems used in industry for remote control of operations.

Closed TV

Closed circuit television, between teller and bookkeeper is functioning in the current accounts department of The Toronto-Dominion Bank, Toronto. It's the first installation of its kind in the Canadian bank.

Burroughs Corp. Realignment

BURROUGHS Corporation announces completion of "a major reorganization of marketing operations realigning sales and services to meet the rapidly growing needs and demands of electronic banking." Affected are the sales and service of products made for banks by Burroughs, ElectroData, and Todd Company Division.

Burroughs Division, largest operating unit, has established a new financial sales department with responsibility for the sale of bank equipment. It is managed by V. James Ford, formerly a regional manager of ElectroData.

Todd is establishing new printing plants equipped to print magnetic ink coding.

COLOMBIA



Efficient Services through

BANCO DE BOGOTA

Oldest established and largest Bank in Colombia
MARTIN DEL CORRAL, PRESIDENT

- Special attention to collections
- Accurate and dependable credit information service

TOTAL ASSETS:

More than \$ 782 Million Pesos
(Approximately US. \$ 122,187,500)

TOTAL COLOMBIAN FOREIGN BUSINESS: 124 BRANCHES

Imports	Exports
1957: US. \$ 403,080,000	US. \$ 449,628,000
1958: US. \$ 276,500,000 *	US. \$ 409,500,000

* Authorized import licenses



BANCO DE BOGOTA

ESTABLISHED 1870 • BOGOTA, COLOMBIA S.A.

New Accounts Easy to get with the aid of



VISABANK

Visabank works right in the home—all day, every day. Made of clear plastic—you actually see the savings grow. It's the nickels, dimes and quarters saved today that become big accounts tomorrow.

Your Bank's name is stamped in gold on front of Visabank. Your ad message covers the back. Visabank is self-liquidating—write for information.

Some Good Territories Open for Representation.

PATENTED PLASTICS, INC.

2160F West 25th Street

Cleveland 13, Ohio

THE SHIP IS LAUNCHED

In all likelihood, by the time this appears in print the bankers of the country, and the printers as well, will have had time to digest the A.B.A. release on the common machine language for mechanized check handling. In many banks the wheels will soon be rolling toward the goal of automation. Thus, after years of intensive study, the good ship Mechanization is launched and a new era of bank operations begins.

Simultaneously, a new era begins for check printers, ushering in new quality controls and expanded responsibility. The bank check will constitute the fuel that will drive the machines that process the checks of the future and—expressed in automotive terms—this fuel must be 100 octane. Heretofore we have probably been producing at about the 70 octane level, which was pretty good but not good enough to provide the hot spark needed to activate the delicately balanced machines that will soon be in use. In order to print within the tolerances of the new specifications, we must refine our operations to a degree that will change printing from an art to a science.

The expanded responsibility of the printers will gradually be recognized as it becomes apparent that they no longer are printing pieces of paper but instead are turning out source documents upon which banks will depend for fast, accurate accounting. This responsibility carries with it a definite liability that could bulk up large in the event the encoding was not up to par.

We here at DeLuxe might perhaps be inclined to over-emphasize the problems of printing within the encoding specifications as now established, but perhaps that is because we have lived with them long enough to know that they can jump up and bite us if we relax our watchfulness in the slightest degree. Until it is demonstrated that they are not realistic, we propose to take them seriously and adhere to them regardless of what happens to our machine output. Despite the problems that lie before us, however, we are confident that the mechanized check handling system will live up to every promise and our hats are off to those who created it.



Manufacturing Plants at:

CLIFTON, PAOLI, CLEVELAND, INDIANAPOLIS, CHICAGO,
KANSAS CITY, ST. PAUL, DALLAS, CHATSWORTH

CRYSTO-MAT TRANSPARENT PLASTIC FLOOR MAT



Designed **ESPECIALLY FOR BANKS** Using Wall to Wall Carpeting. Carpet color design and carving completely visible through mat. Made from crystal-clear 1/4-inch transparent aircraft plastic. Special hard scratch resistant surface. Impervious to alcohol and other discoloring agents. Write for literature and special discount schedule for banks. Sample chip will be supplied on request.

CRYSTO-MAT CO. Dept. B-4 215 North St., Auburn, N. Y.

Annual Reports

(CONTINUED FROM PAGE 41)

advocated by the accountants have been found quite useful in the financial statements of the banks' own borrowers.

A Proposed Solution

Actually, it should be possible to devise financial statements that will be useful and informative both to the depositors and their watchdogs and to the shareholders. Such financial statements should clearly indicate the assets available for the protection of the depositors and should state these assets at current realizable values. "Current realizable values," in this sense, means that market values of all assets having a ready market should be disclosed. While it has a liquidating connotation, it does not carry any implication that the prices used would be those that would be found to exist under panic conditions.

The same financial statements should disclose the shareholders' equity and earnings on a long-term continuing basis. Assets that have been adjusted to market values for the purposes of reporting the amount of equity protecting the depositors should be adjusted to cost for stockholders' purposes if the nature of these assets is such that they will probably be held until maturity and will be worth face value at that time. From the depositors' standpoint it may be desirable to show the market value of the United States Government securities owned, but from the standpoint of the shareholders there is no point in writing down to market a security that may be selling below par at the moment because it carries a low coupon rate. Such a write-down simply transfers income from one accounting period to another.

(Next month Mr. HILL will describe a means of achieving the kind of annual reporting he has described above.)

HAND-MADE PORTRAIT

To have one's portrait on currency!
Could greater distinction come?
It could in my case —
Instead of my face
I'd prefer my hands on some!

EVERETT SCROGIN

Prefabricated Homes

(CONTINUED FROM PAGE 52)

Q. *Do you require a downpayment? What are the terms of repayment under the mortgage?*

A. Originally, we made loans with a one-third downpayment for the "shell" alone, but, as in all types of transactions, the smaller the downpayment the wider the market the seller has, and the prefab market is no exception. Some of the transactions the bank is financing as far as the purchasers are concerned are being bought on a plan requiring no downpayment other than a nominal deposit. The purchaser does own his land clear. Of course, the bank protects itself by cash reserve accounts—guarantees—so that it is not actually lending on a no-downpayment transaction itself. The mortgage which we obtain as collateral has a maximum maturity of five years with monthly payments. In some cases we are permitting balloon payments.

Q. *Who collects the monthly payments—the bank or the mortgage company?*

A. We permit the mortgage company or prefab manufacturer to collect the monthly payments, which are deposited in the bank in some cases in special accounts.

Q. *Do you finance prefab houses outside of your immediate trade area?*

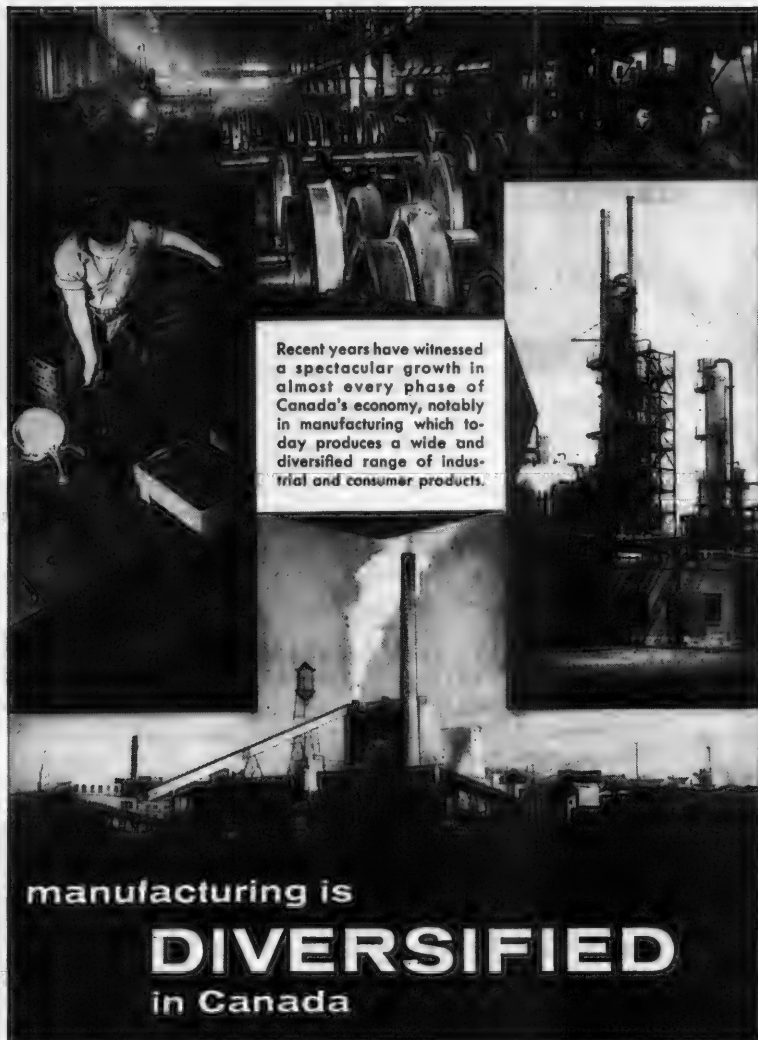
A. At the present time we finance houses in what we consider our general trade area.

Q. *What is your repayment experience?*

A. In our original analysis we felt that, because of the short maturity and high monthly payments, the owner would seek permanent financing over a longer period of time, and hence the bank loan would be paid off.

We have had good experience in this respect, many loans being paid off in the first two years. Some of our accounts averaged payoffs of 30% to 40% of total volume in a given time.

(CONTINUED ON NEXT PAGE)



Recent years have witnessed a spectacular growth in almost every phase of Canada's economy, notably in manufacturing which today produces a wide and diversified range of industrial and consumer products.

manufacturing is
DIVERSIFIED
in Canada

...so are the services of Canada's largest bank

When your customers wish to explore business opportunities in Canada you will do well to consult the Royal Bank. We offer many services, far beyond the realm of routine banking. For example, we maintain an up-to-date list of desirable factory sites, can assist in developing reliable trade connections, and have on hand or can obtain quickly a wealth of factual information on labor, power, transportation, markets and related topics as they apply to every section of the country. For information on these and other special services, get in touch with our Business Development Department at Head Office, Montreal.

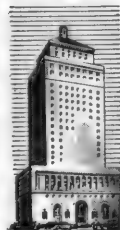
THE ROYAL BANK OF CANADA

Head Office: Montreal

New York Agency—68 William Street, New York 5, N. Y.

Over 900 branches in Canada, the Caribbean area and South America. Offices in New York, London and Paris. Correspondents the world over.

Total Assets Exceed 4 Billion Dollars



Expediting Michigan Business



The officers of our Correspondent Banking Division are in close touch with Michigan markets—are prepared to give alert, on-the-ground cooperation at all times. Whatever the transaction—usual or unusual—you are invited to use the correspondent banking facilities of this Bank. When speed is necessary, call MNB at Woodward 5-4000 in Detroit for prompt attention.

MANUFACTURERS NATIONAL BANK

DETROIT • DEARBORN • HIGHLAND PARK • BLOOMFIELD • FARMINGTON TWP.
GROSSE POINTE WOODS • MELVINDALE • NORTHVILLE • PLEASANT RIDGE
REDFORD • SOUTHFIELD • WARREN

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Security Valuations for ESTATE and GIFT TAX PURPOSES



When question arises as to the value of a security for tax or planning purposes, only a careful analysis of all pertinent data, factors and circumstances pertaining to value can assure conclusive results.

Standard Research Consultants has an unusually extensive background of experience in this work, including the valuation of:

- Closely-held corporation stocks
- Controlling and minority interests
- Listed stocks in large block holdings
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We offer you thoroughly reliable valuation studies prepared by a highly-qualified staff. Our comprehensive reports are fully documented, with conclusions supported factually and analytically. Authoritative testimony is available on all studies made.

When you have a valuation problem, why not discuss it with us?

For full particulars, write E. R. Lamp, Dept. B

STANDARD RESEARCH CONSULTANTS, INC.

(Subsidiary of Standard & Poor's Corporation)

345 Hudson Street Watkins 4-6400 New York 14, N. Y.

Q. Have you found loans covering prefab houses profitable from the standpoint of income?

A. The income from this type of loan is satisfactory and we have been able to develop bank balances. In addition, we believe the bank is performing a needed service to the community.

Q. What suggestions or comments would you offer other banks about to enter the prefab financing field?

A. In entering this field of financing we would approach it originally as with any other type of loan. That is, we would first select desirable mortgage companies and builders of prefab houses who have financial and business responsibility. The bank, of course, would want to have a program to offer—that is, either merely the advancing of short-term construction funds, or a combination of construction and long-term financing. No doubt it would prefer to finance local or nearby transactions until it has had some experience. Only employees of the bank familiar with mortgage loans should be delegated to handle the transactions. The bank should, of course, consult its attorney concerning all legal documents to be used in the transaction.

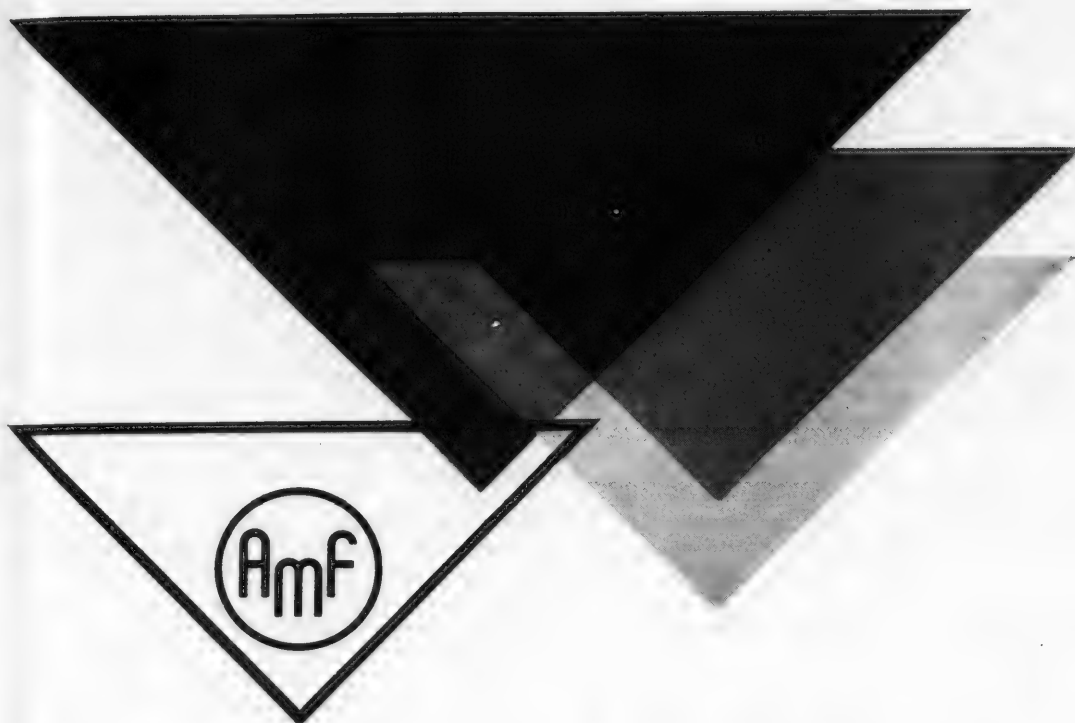
The field of the "do-it-yourself" builder has a limited market. From our observation the dealer-erected or manufacturer-erected house transaction is more desirable from the construction lender's viewpoint. Such houses can be erected by competent builders in a reasonably short time, which means a faster turnover of funds for the bank pending substitution of the permanent financing. The owner obtains occupancy in a shorter time. Permanent lenders will be quicker to grant loans on houses erected by capable people. There are added costs for the owner, but he may still continue to save some money in doing painting and other small jobs on the house after it has been made habitable.

NO SAVING GRACE

If my bank account is always low,
I've only me to thank—
I'm so darn lavish with myself,
And stingy with the bank.

STEPHEN SCHLITZER

BANKING



AMF Gained New Strength in 1958

American Machine & Foundry Company's sales and earnings in 1958 were second only to the record levels established in 1957. It is noteworthy that these results were accomplished in the face of a severe decline in general business activity.

- Sales and rentals for 1958 were \$230,877,000 compared with \$261,754,000 in 1957
- Net income for 1958 was \$11,008,000 compared with \$11,782,000 in 1957

Rental income for the year was the highest in the history of the Company. The extensive growth of bowling enables AMF to gain steadily increasing income in this field, and thereby maintain a stable—and expanding—earnings base.

Unfilled orders at December 31, 1958 were \$83,189,000, an increase of \$22,989,000 over our backlog a year earlier.

Dividends of 40¢ per share were paid by AMF on the common stock in each of the first three quarters of

1958. Earnings in the last quarter established a new quarterly high. In recognition of this, and of the more promising business outlook for 1959, the regular quarterly dividend was raised to 50¢.

1958 was the 32nd consecutive year AMF paid dividends to its stockholders.

We anticipate that 1959 will be a record year for AMF.

Morehead Patterson

MOREHEAD PATTERSON,
CHAIRMAN OF THE BOARD

Carter L. Burgess

CARTER L. BURGESS,
PRESIDENT

*Creators and Producers of Atomic and Electromechanical
Equipment for Industry and Defense,
and Leisure Time Products for the Consumer*

American Machine & Foundry Company

We will be pleased to send you a copy of the 1958 Annual Report

— PLEASE USE COUPON —

Mr. C. J. Johnson, Secretary
American Machine & Foundry Company
Executive Offices
AMF Building, 261 Madison Avenue, New York 16, N. Y.
Please send me a copy of your 1958 Annual Report

NAME _____

ADDRESS _____

CITY _____ Zone _____ STATE _____

Why Business Customers Choose a Bank

(CONTINUED FROM PAGE 48)

Many calls require follow-up.

* * *

"When was the last time you were here?"

Does he mean, "You call too often," or, "Doesn't our account justify more attention?"

* * *

"I see you increased your capital."

"What's your loan ratio now?"

"Our analysis of your statement shows . . ."

In many, probably in most, cases the choice of a bank by important accounts is influenced primarily by a bank's capital sufficiency, its liquidity, its earnings record, and the capacity of its management.

* * *

"You're the fifth banker here this morning. What is it, a convention?"

Yes, it was. After the day is over, not only will he fail to remember who called when, but he'll be angry at all bankers for the next month.

* * *

[4:30 P.M.] "Just a minute while I sign my mail."

It's just as thoughtless to call late in the afternoon as it is to call before he gets a chance to open his mail in the morning.

* * *

"Sorry, Mr. X is in a meeting."

Obviously, Mr. X would like calls to be made by appointment. Some prefer appointments and some do not. Know their preference.

* * *

"Sorry, we can't use your bank, but you're welcome to call whenever you're in town."

Take full advantage of the invitation. A good prospect is never easily sold. Keep the contact alive.

* * *

"Is it possible to do it this way?"

Don't assume they are familiar with banking details. Be prepared to point out innovations even in routine matters.

* * *

"I'd like you to meet my assistant . . ."



UNIQUE

Our corporate customers and correspondent banks make regular use of our unique tri-state banking operation. With seventeen complete banking offices, The Bank of California provides on-the-spot credit information, fast collection of items, concentration of funds, and all other banking services in all three Pacific Coast states...California, Oregon and Washington.

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NATIONAL ASSOCIATION

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MEMBER
FEDERAL
DEPOSIT
INSURANCE
CORPORATION



Try to meet every treasurer's assistant. Some time he may be the contact.

* * *

"Sorry, but we transferred our account because it was more convenient to our new outlying store."

Store managers like convenience, and convenience is often the decisive factor.

* * *

"What is your opinion . . .?"

Banks are looked upon as good sources of information, especially about conditions in their area. Also, Treasurers wish to discuss matters of general interest in order to benefit from the ideas and opinions of others.

IN summary, several conclusions can be gleaned from the foregoing vignettes.

The factors influencing corporation treasurers in their choice of a banking connection, in their attitudes toward banks, and in their actions and conversations during calls cannot be listed categorically.

The factors vary widely. They vary by type of business, by the quality of the services offered by the banks, by the interests of the company, by the self-interests of the company representative, and by the banker making the call.

The most important factor, perhaps, is the quality of the call. This is the one area on which most reports agree that our efforts need bolstering.

A call requires considerable work, and the most important part of any call is its preparation and planning.

Whether it is a national or local account, customer or prospect, there are facts we should have if the contact is to be effective.

Some of the headings that may be used to compile that information include:

- (1) Name, type of business, history of company, history of account, and other general information.
- (2) Principals active in company.
- (3) Primary and secondary contacts at main office (if in another city).
- (4) Local contacts.
- (5) Services used by company.
- (6) Services used by principals and local manager.
- (7) Other banks of account.
- (8) Company is prospect for "follow services."
- (9) Average balances (three years).
- (10) Maximum and minimum credit (three years).
- (11) Basis of credit.
- (12) Nature of deposits.
- (13) Nature of withdrawals.
- (14) Profit or loss on analysis.
- (15) Summary of balance sheet and profit and loss statement (last fiscal and interim).
- (16) Officer responsible.
- (17) Date of call.
- (18) Follow-up date.
- (19) Report of call.
- (20) Recommendations.

The value of business-development calls on prospects and customers requires no elaboration. Consistent, continuing, and efficient programs have long since proved their value to banks—and to their customers.

SWISS BANK CORPORATION

Head Office: BASLE, SWITZERLAND

Bienne · La Chaux-de-Fonds · Geneva · Lausanne
Neuchâtel · St. Gall · Schaffhouse · Zurich

CAPITAL
180,000,000 S. Fcs.



RESERVES
110,000,000 S. Fcs.

Statement of Condition, December 31, 1958

ASSETS	Swiss Francs
Cash in hand and at Bankers.....	957,841,707
Due from other Banks.....	551,601,105
Bills Receivable.....	683,445,259
Short Advances.....	19,533,988
Advances to Customers, etc.....	1,356,469,196
Government and other Securities....	539,651,426
Syndicates.....	800,000
Other Assets.....	9,212,587
Bank Premises and other Property...	11,250,000
Total S. Fcs.	4,129,805,268

LIABILITIES	Swiss Francs
Share Capital.....	180,000,000
Reserves.....	104,000,000
Sight Deposits.....	2,537,726,530
Time Deposits.....	890,646,668
Fixed Deposits ("Obligations").....	280,168,500
Bills Payable.....	17,145,104
Acceptances.....	11,431,029
Other Liabilities.....	78,201,754
Profit.....	30,485,683
Total S. Fcs.	4,129,805,268

Guarantees S. Fcs. 147,932,696

NEW YORK AGENCY

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49th Street Office, 10 W. 49th St., New York 20, N. Y.

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AFFILIATES

Canada: Swiss Corporation for Canadian Investments Ltd.
360 St. James Street West, Montreal 1

Morocco: Banque Franco-Suisse pour le Maroc
73, Avenue du Général d'Amade, Casablanca

REPRESENTATIVE OFFICES

France: 31, Avenue de l'Opéra, Paris 1er.
Argentina: 616, Avenida Roque Sáenz Peña, Buenos Aires
Brazil: Praça Pio X, No. 118, Sala 1101, Rio de Janeiro



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Machinery and Equipment Loans
Inventory Loans
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Land Development Financing

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Securities Department
State of Illinois



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AMERICAN BANKERS ASSOCIATION
12 East 36th Street, New York 16, N. Y.

Main Street

(CONTINUED FROM PAGE 30)

WILLIAM H. MARSHALL, from cashier to vice-president, Citizens Bank of Michigan City, Ind.

EDWARD MILLS, becomes vice-president, Community Bank, Los Angeles, Calif.

JOSEPH G. BURROUGH, from assistant vice-president to cashier, Grace National Bank, New York, N. Y.

C. C. SPENCER, C. F. TUTTLE, from assistant vice-president to vice-president, Houston, Tex.

RALPH S. SMITH, cashier, also becomes vice-president, Citizens National Bank, Zanesville, Ohio; C. B. MOODY, from assistant vice-president to vice-president.

LAWRENCE H. CORNELL becomes vice-president, Northwest Security National Bank of Sioux Falls, S. Dak.

G. W. THOMPSON BOLTON, from assistant vice-president to vice-president, Equitable Trust Company, Baltimore, Md. H. GRANT HATHAWAY becomes assistant vice-president.

SAM C. MONTGOMERY, WILLIAM H. WEBSTER, trust officer, RUDOLPH STUMBERG, trust officer, and FRANCIS R. DURY, trust officer, all become vice-presidents, National Bank of Commerce, San Antonio, Tex.

R. S. ROGERS becomes vice-president, Lea County State Bank, Lovington, N. Mex.

RALPH W. FARMER, from assistant vice-president to vice-president, Merchants Savings Bank, Manchester, N. H.

DANIEL L. CHAMBERLAIN, assistant vice-president, The Bank for Savings in the City of New York, retires after 32 years of service.

HUGH W. HAYNES, from assistant vice-president to vice-president, Bank of Georgia, Atlanta.

N. C. LUHMANN becomes vice-president, First Western Bank and Trust Company, San Francisco, Calif.

JOHN A. HURSON, from assistant vice-president to comptroller, Republic National Bank of Dallas, Tex.; JOHN H. CUMBY, from assistant vice-president to vice-president.

WILLIAM W. MCCARTHY, vice-president, National Shawmut Bank of Boston, retires after 30 years with the bank.

RALPH M. FRANCE, from assistant vice-president to president, Progressive Bank & Trust Company, New Orleans, La.; DONALD C. HANEY becomes assistant vice-president.

M. B. SLAUGHTER, from vice-president to senior vice-president, Merchants National Bank, Mobile, Ala.

"Homey" Branch Conceals "Territorial" Construction

Behind this temporary office, which was a private home for many years, Valley National Bank is building a two-story building "patterned after the territorial banks of the 1880s." Located in the center of colorful Scottsdale, just northwest of Phoenix, Ariz., this unpretentious building, with its living room turned into a main banking floor, will be replaced by a period building complete with courtyard, covered walks, wrought iron balconies, louvered shutters and beamed ceilings



"Country Bank" Gets Business Week Tribute

JAMES W. PRATHER, from president to board chairman, Security Bank and Trust Company, Vincennes, Ind.; PAUL J. SWEENEY, from vice-president and cashier to president; CHARLES H. BARR, from senior assistant cashier to vice-president.

STANLEY L. REWEY becomes senior vice-president, newly-created post, at Marshall & Ilsley Bank, Milwaukee, Wis.

ARTHUR E. POTH, assistant vice-president, becomes vice-president, Mercantile Trust Company, St. Louis, Mo.

FRED E. BUETTNER, auditor, also becomes comptroller, South East National Bank of Chicago.

ELWOOD A. MARTZ, vice-president, Industrial Bank of Commerce, New York City, becomes vice-president, Central Bank and Trust Company, Great Neck, L. I.

WILLIAM WASHBURN CAVE retires as president of French Lick (Ind.) State Bank, as that bank merges with West Baden National Bank to become Springs Valley National Bank, after 53 years in office. ARNOLD F. HABIG becomes president of the new bank; RALPH J. WAHOSKI becomes a vice-president.

FRANK O. PAPEN, executive vice-president, First National Bank of Las Cruces, Tex., becomes board chairman, Anthony (Tex.) State Bank.

Highest Boys' Clubs of America award, the "Boys' Club Medallion" for unusually devoted service to boys, has been awarded CHARLES M. MARSTELLER, assistant vice-president, Suburban Trust Company, Silver Spring, Md.

F. M. HOLT, from president, First National Bank of Arlington, Tex., to president, newly-organized Northwest National Bank of Dallas, Tex.; TOM J. HARDIN, from assistant vice-president, Hillcrest State Bank, to vice-president and cashier, Northwest.

MAYNARD E. TARPY is named board chairman at National Bank of Fairbury, Ill. JOHN W. GERBER, president; ROBERT J. MAURER, vice-president and J. HARTZELL MUNZ, cashier.



S. Clark Beise

"By any standard, Bank of America's Larkspur (Calif.) branch is a small country bank. Situated in a community of just over 4,000 in picturesque Marin County, across the bay from San Francisco, it has less than \$3,000,000 in deposits, and loans outstanding of only \$1,400,000. The bank building itself is just big enough to accommodate its 10 employees, who, in typical small town fashion, know a great many of their customers by name.

"The president, S. Clark Beise, has the scrubbed and unpretentious manner of a country banker. Yet no banker

anywhere has ever commanded more resources. For Larkspur is just one of 638 banks he runs as president of the world's biggest private banking system, Bank of America National Trust and Savings Association.

"There is no other bank that comes close to the BofA in number of branches, of employees (24,500), of deposits (\$10.3-billion) or of accounts (7,100,000). It has some big metropolitan branches in San Francisco and Los Angeles, but the Larkspur branch of the BofA is by no means the smallest link in a chain that stretches over California from the Mexican border to Oregon. In some remote areas, there are BofA branches with only two employees, and more than 60% have less than \$10,000,000 in deposits. . . .

"Big or small, every branch in BofA's far-flung network offers a variety of services that make each bank a 'department store' of finance.

"This week, BofA revealed that it had notified the Small Business Administration that it was forming a small business investment company under the law passed last year. When SBA approval is granted, the BofA plans to run the company as a separate entity, divorced from its branches, but its decision to take the step is fresh proof of its stated aim of branching out into every aspect of finance that is open to it." *Business Week*, February 21, 1959.

EDWARD A. HENRY, HOWARD S. SHULMAN, from assistant vice-presidents to vice-presidents, Manufacturers Trust Company, New York City.

ALBERT T. LINDBERG, assistant cashier, retires from Worcester (Mass.) County National Bank after 48 years of service.

HOWARD W. CHEVERTON, from assistant vice-president to vice-president, Security First National Bank, Los Angeles; OSCAR T. ROSELLEN, MONRO T. COMBS, ROBERT S. DULLIN and WESLEY J. HARTLEY all become assistant vice-presidents.

LEON H. HANSELMAN, EDWARD M. RICKARD, THURSTON O. SHREVEs, all from assistant vice-president to vice-president, Detroit (Mich.) Bank and Trust Company; ARNOLD W. LUNGERHAUSEN becomes vice-president and trust officer.

S. D. MOSER, board chairman, also becomes president, Citizens State Bank, Hiawatha, Kans., succeeding the late C. W. STARR; WAYNE B. STARR, becomes vice-president and cashier; C. A. HARPSTER becomes board vice-chairman.

FRANK G. MCCLINTOCK, president, Zephyr Drilling Corp., becomes general vice-president, First National Bank and Trust Co., Tulsa, Okla.

DONALD E. WOOD, from Univac Division of Remington Rand Division of Sperry Rand Corporation to electronics officer, National Bank and Trust Company of Fairfield County, Stamford, Conn.

A. M. SMITH, from executive vice-president to president, Bank of Nevada, Las Vegas, succeeding S. L. Butterfield. C. E. SUTHERLAND, from vice-president to executive vice-president.

Take Another Look

at
Arizona Banking

ANOTHER NEW
ALL-TIME HIGH

Resources*
Up 13.6%

*\$319,827,320.67

DEC. 31, 1958

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Phoenix, Arizona

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Cuban Economy Gets the "Once-Over"

Cuba's economic and political picture under the new Castro regime was given some sharp-focus attention when Frederic Potts, president, Philadelphia National Bank, and Ralph F. Giordano of PNB's Foreign Department flew down last month for a 3-week study of that West Indies island. A meeting with Dr. Filipe Paxos, president, Banco Nacional de Cuba, Havana, was scheduled, as well as tours of sugar plantations, primary industrial and agricultural facilities, cattle ranches, etc. Philadelphia is port of entry for a substantial proportion of the island's major exports. Mr. Potts, reportedly the first American banker to visit the island under the new regime, has expressed his bank's willingness to lend to the Cuban Development Bank.



Frederick A. Potts, president, Philadelphia National Bank, and Ralph F. Giordano of PNB's Foreign Department, just prior to departure for Cuba

WILLIAM J. BRISCOE, from Florida National Bank and Trust Co., Miami, to executive vice-president, Avon Citrus Bank, Avon Park, Fla.

HARRISON S. KING, chief bank examiner for Massachusetts since 1949, becomes New Hampshire State Commissioner of Banking.

MORRIS D. CRAWFORD, JR., from vice-president to executive vice-president, Bowery Savings Bank, New York City; JOHN M. OHLENBUSCH, HARRY HELD, both vice-presidents, become senior vice-presidents; P. RAYMOND HAULENBEEK, administrative vice-president, becomes senior vice-president.

E. JOSEPH BANNON, president, Purdue National Bank of Lafayette, Ind., and member of Purdue University's board of trustees, has been appointed a regional director of the Association of Governing Boards of State Universities and Allied Institutions.

BURTON A. MILLER becomes vice-president, National City Bank of Cleveland, Ohio.

REUBEN R. CARTER, from secretary to vice-president, Trenton (N. J.) Saving Fund Society; ROBERT E. LANE, from controller to vice-president.

About Banks

Block-long NATIONAL BANK OF DETROIT, Mich., building set for completion some time this summer.

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, Calif., opens Lancaster and Orangevale branches.

CITIZENS AND SOUTHERN NATIONAL BANK, Savannah, Ga., opens Victory Drive office.

FIRST STATE BANK AND TRUST COMPANY, Bogalusa, La., opens Pleasant Hill office.

AMERICAN TRUST COMPANY, San Francisco, Calif., opens South Shore Alameda office.

BANK OF HAWAII, Honolulu, starts construction of 8-story building adjacent to head office, to be completed late this year.

FIRST WESTERN BANK AND TRUST COMPANY, San Francisco, opens Stockton office.

FIRST NATIONAL BANK OF GLEN HEAD, N. Y., completes modernization of building and celebrates by holding open house.

FAIRFIELD COUNTY TRUST COMPANY, Stamford, Conn., and FIRST NATIONAL BANK AND TRUST COMPANY, Ridgefield, Conn., announce merger pending approvals. Target date: May 1.

WESTERN PENNSYLVANIA NATIONAL BANK, McKeesport, Pa., announces plans for "drive through bank" and electronic center to be completed some time this year.

FIDELITY UNION TRUST COMPANY, Newark, N. J., starts on "Port" branch. Target date for opening: this spring.

SADDLE BROOK (N. J.) STATE BANK and LODI TRUST Co. merge, and become BANK OF SADDLE BROOK AND LODI.

BUSHWICK SAVINGS BANK, Brooklyn, N. Y., starts on new Drew Street and Liberty Avenue building. Target date: this spring.

BANK OF AMERICA, San Francisco, announces new Hong Kong and downtown San Francisco (Civic Center) branches.

CITIZENS NATIONAL BANK, Petersburg, Va., merges into STATE-PLANTERS NATIONAL BANK OF COMMERCE AND TRUSTS, Richmond.

NORTH AMERICAN BANK merges into CENTRAL NATIONAL BANK OF CLEVELAND, Ohio.

FIRST NATIONAL BANK OF JERSEY CITY, N. J., and WEST HUDSON NATIONAL BANK OF HARRISON announce merger set for April 3, pending approvals.

FEDERATION BANK AND TRUST COMPANY, L. I., N. Y., starts work on new office with drive-in facilities. Target date: June.

BANK OF GEORGIA, Atlanta, opens new Buckhead office with special helicopter delivery of money; bank announces July 1 start on construction of 31-story bank building on Peachtree and Walton streets.

SPITZER-RORICK TRUST AND SAVINGS BANK, Toledo, Ohio, and OHIO CITIZENS TRUST COMPANY announce merger pending approvals. Target: April 30.

STATE BANK of INDIA

The Bank undertakes all types of Banking business throughout India, Pakistan, Burma and Ceylon and is particularly well equipped to provide facilities in these countries for financing their internal and external transactions. Executor and Trustee business is also undertaken.

(Condensed) Balance Sheet As on 31st December, 1958

Capital & Liabilities		Property & Assets	
	Rs.		Rs.
1. Capital—Issued, subscribed and paid-up	5,62,50,000	1. Cash in Hand & due from other banks	55,47,10,490
2. Reserve Fund & Other Reserves	8,48,50,000	2. Money at Call	2,10,66,667
3. Deposits	477,65,94,356	3. Investments	284,55,39,287
4. Borrowings	20,85,25,000	4. Advances	172,06,19,519
5. Bills Payable	6,03,67,778	5. Bills Receivable	2,50,43,191
6. Bills for Collection	2,50,43,191	6. Constituents' Liabilities for Acceptances, Endorsements and Other Obligations	1,18,58,960
7. Other Liabilities	71,86,941	7. Premises and Furniture	2,17,96,433
8. Acceptances, Endorsements	1,18,58,960	8. Other Assets	3,76,04,833
9. Profit and Loss	55,73,154		
Total	523,82,39,380	Total	523,82,39,380

(Condensed) Profit and Loss Account for the Year 1958

Expenditure		Income	
	Rs.		Rs.
1. Interest paid	6,24,59,623	1. Interest & Discount	12,21,11,007
2. Salaries & Allowances etc.	6,06,25,866	2. Commission, Exchange, and Brokerage	3,53,49,780
3. Other Expenditure	1,56,97,760	3. Rents	3,36,645
4. Balance of Profit	1,90,14,183		
Total	15,77,97,432	Total	15,77,97,432

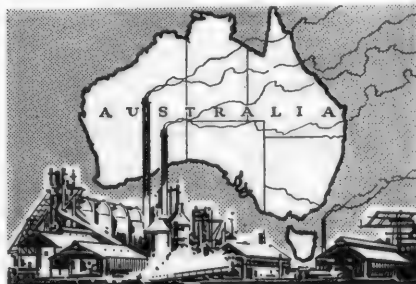
Chairman: P. C. Bhattacharyya Vice-Chairman: Mangaldas Pakvasa
Managing Directors: B. P. Patel and S. P. Puri

London Office
25, Old Broad Street, London E.C.2.

Other Major Foreign Branches
(I) Karachi (II) Rangoon (III) Colombo.

AUSTRALIA OFFERS opportunities for industries

United States investment in Australian industry already totals over 500 million dollars. With its rapidly expanding local market and proximity to South-East Asian markets, Australia continues to provide opportunities for industries.



If you are interested in Australia and require industrial, economic, or market information, you are invited to use the comprehensive facilities of the Bank of New South Wales, the oldest and largest

commercial bank operating in Australia, New Zealand, Fiji, Papua and New Guinea, with over 1,000 branches and agencies.

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Head Office: Sydney, Australia

International Division — John W. McEwen, Manager.

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MAY AS I DID
IN DECEMBER**

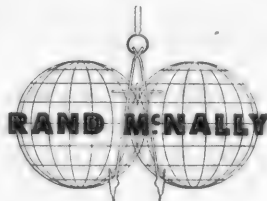


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New Books

EXECUTIVE SELECTION: HOW PSYCHOLOGISTS CAN HELP, 1959. Management Reports, Cambridge, Mass. 127 pp. \$12.50. A group of graduate students at the Harvard Business school bypassed theory to look at practice in this study of the role of psychologists in executive selection. It draws on the experience of management men and the psychologists employed by them to "tell" rather than "sell" psychology as a management tool.

The report is primarily for the executive who is beginning to wonder if and how a psychologist could be useful to him. Among the points covered are: how to select a psychologist; where and to what extent he fits into the management area; what he can contribute; how to evaluate his contribution; and practical advice on working with him. Also included are some examples of the methods, tests, and reports of psychologists in business.

HOW TO RETIRE ON REAL ESTATE PROFITS. Harian Publications, Greenlawn, N. Y. 127 pp. \$2. Written by the Harian editors, this book tells where to invest for growth, how to select, how professionals buy, what you should know to make money in real estate.

BANK CREDITS AND ACCEPTANCES. By *Wilbert Ward* and *Henry Hartfield*. Ronald Press, New York. 277 pp. \$7. Fourth edition of a book for businessmen, bankers, attorneys, and others interested in trade. Fundamentals of sight and acceptance credits are emphasized. Forms for most commercial credit transactions are illustrated and explained, and current international commercial credit rules are given in full, with a commentary.

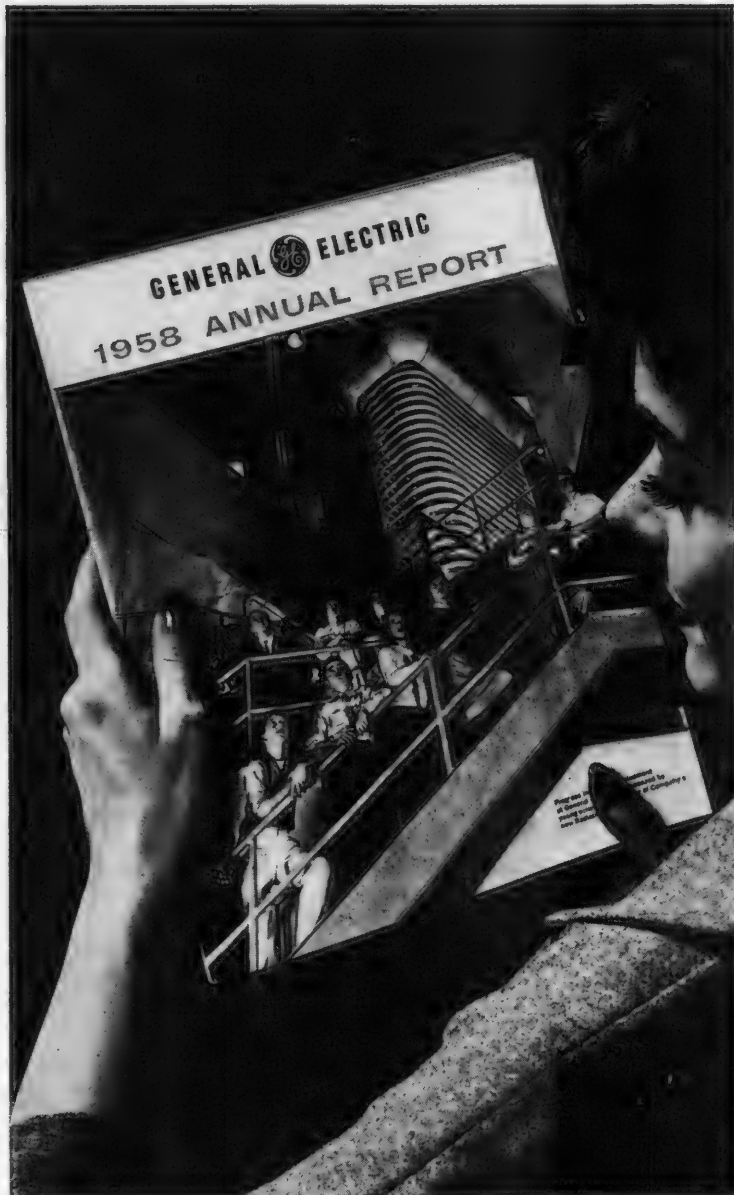
DICTIONARY OF PERSONNEL AND INDUSTRIAL RELATIONS. By *Esther L. Becker*. Philosophical Library, New York. 365 pp. \$10. There are 2,468 entries and 521 cross-references, covering industrial relations practices, management techniques, training trends, a list of personnel and industrial relations associations, and publications in the field.

Now available:

GENERAL ELECTRIC'S 1958 ANNUAL REPORT

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WHAT'S NEW

*This department is compiled by
ETHEL M. BAUER of BANKING'S staff.*

A TRANSPARENT plastic office floor mat that permits carpet to show through while protecting it from wear and indentations made by furniture is a product of the **Crysto Mat Co.** The mat is made of $1\frac{1}{4}$ " aircraft plastic, shatterproof, chip-proof, non-slip, and completely reversible. Beveled edges slope to carpet surface permitting chair to ease on or off. Crysto-Mat is available in three sizes. 211 North Street, Auburn, N. Y.

NEW card record desks in contemporary design in two sizes have recently been introduced by **Yawman and Erbe Mfg. Co., Inc.** They feature a lower over-all cabinet height for easier accessibility and greater width and depth for greater capacity. Drawers are equipped with heavy-duty, full ball-bearing roller suspension. The 7-drawer model holds 94,000 of the 5" x 3" cards. Drawers of both models hold five cross-filing trays. Address: Rochester, N. Y.

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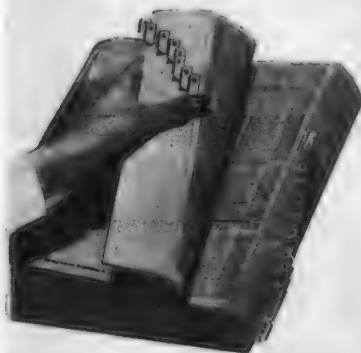
for immediate delivery by **Bernay Products Company**, 412 South Wells Street, Chicago Ill.

A NEW automatic copying machine has been designed and is manufactured by the **General Photo Products, Inc.** Porta-Fax is electrically operated, provides big machine advantages, yet is bantam size and completely portable. Weighs



only 18 pounds and measures 18" long, 6" deep by 10" high. Handles sheets up to $9\frac{1}{2}$ " wide and of any length. Reproduces from all colors and ball point pens. The machine produces dry copies, clean-cut, with opaque black on pure white. Two copies may be produced from one negative, and where color coding is desired, photo copies may be made in color. Machine operates on 115 volts, A.C., and carries a lifetime service guarantee. Further information may be obtained by addressing company at **General Photo Building, Chatham, N. J.**

INSULATED filing cabinet, UL approved, has been introduced by the **Mosler Safe Company.** Available in decorator colors, 2-, 3-, and 4-drawer models, the file has an interchangeable lock for key or combination. Each drawer may be individually locked making each a safe in itself. Push-button handles provide easy operation. Accommodates either letter-size or legal-size papers. The file will protect its contents from fire up to 1,700°F. for one hour. 320 Fifth Avenue, New York 1.



BOOKLETS

A 4-PAGE illustrated leaflet recently issued by **Jas. H. Matthews & Co.**, describes their complete line of restyled bill receipting machines. Address: 3644 Forbes Avenue, Pittsburgh 13, Pa.

THE "Pied Piper" public relations kit has been prepared for you by **Schulmerich Carillons, Inc.**, Sellersville, Pa. The kit is full of suggestions, ideas, and material relating to the installation of the "Pied Piper" bells. A written request on your business letterhead will bring you a copy.

A 12-PAGE illustrated booklet describing the Copyflex diazotype copying process is available free of charge from the **Charles Bruning Company, Inc.**, 1802 Central Road, Mount Prospect, Ill. The method of using reproducible copies, removing information from originals and copies, combining Polaroid Land photos and text to produce illustrated copies, are just a few of the techniques illustrated and described step by step in the booklet.

THE Profit Sharing Research Foundation has recently published a booklet "What Every Businessman Should Know About Profit Sharing." Single copies may be had free of charge by writing to the Foundation at 1718 Sherman Avenue, Evanston, Ill.

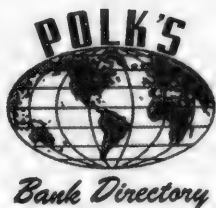
A HANDSOME brochure, "Bankers' Guide to Remodeling Existing Premises," is offered by the **Bank Building and Equipment Corporation of America.** The brochure presents dramatic photo case histories of banks that have solved the problems of modernizing existing buildings. If you are planning a bank remodeling job write for this brochure. Address: 1130 Hampton Ave., St. Louis, Mo.



Fighting For Your Share of Business?

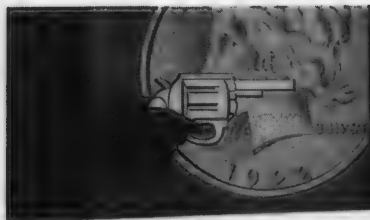
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Holdups and robberies jumped 14% last year — many of them staged in banks. Good reason why now is the time to review your bank's insurance program with your independent agent or broker. And ask him to explain the many advantages you gain with Banker's Blanket Bonds (including special catastrophe protection) provided by National Surety Corporation—a company backed by the Fund of Experience.

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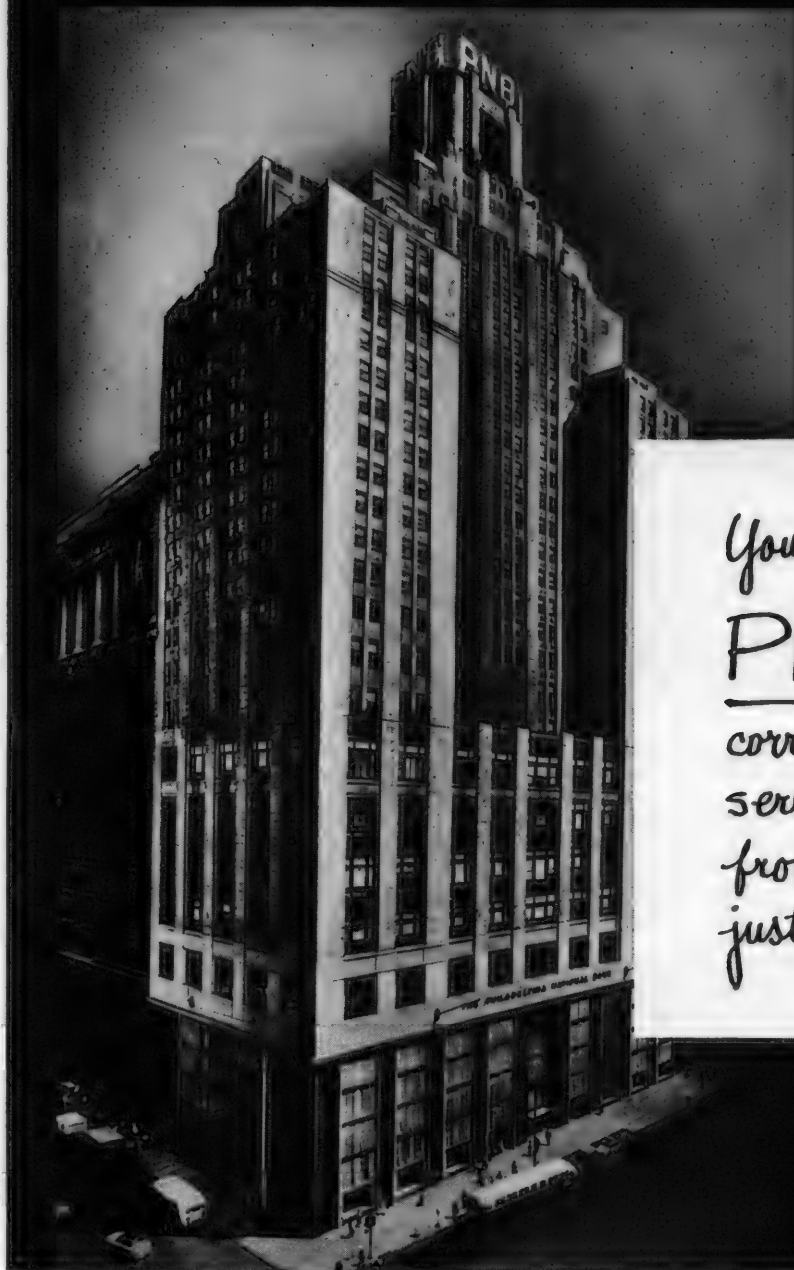
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Lathem 4001-5 BANKER'S TIME RECORDER

Accurate time records are mandatory for a bank. The wage-hour laws require accurate accounting of employee time. Then, too, it is necessary that time of entry in safe deposit vaults be recorded.

The new LATHEM 4001-5 does both these time-keeping jobs. It records hours, minutes, month and date, *and* YEAR. Use a time card and you have a payroll time recorder. Use a safe deposit entry form and you get an indisputable record of the time of each entry.

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And the price? *Less* than a standard typewriter! Send the coupon for full details.

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WITHOUT OBLIGATION, send me brochures, prices and details on your 4001-5 Banking Time Recorder.

NAME _____ TITLE _____

BANK _____

CITY _____

STREET _____ STATE _____

The OUTLOOK and Condition of Business

(CONTINUED FROM PAGE 33)

"It took this 2-billion-mark stamp (5-billion prewar dollars!) to send one letter in Germany in 1923. Germany—as solid and thrifty, a few years before, as this country today.

"It can't happen here? Oh, yes, it can! Here's why:

"Inflations are caused by—

"(1) Continued Government deficits (we've had them here for 20 years and special me-too interests are demanding hand-outs that will make the deficit even worse).

"(2) Unearned wage increases that force prices up, to pay them.

"(3) Feather-bedding—a waste of wages that has to be paid by higher prices (as this is being written America is in the midst of another strike to force the hiring of needless workmen).

"(4) Pressure-group subsidies that pay farmers for not working, and so keep food costs artificially high (you pay twice, by taxes and high food prices).

"(5) Unsound foreign aid that wastes American assets abroad (again you pay twice, by taxes that force up prices and by throwing away assets America needs for strength)."

Labor

There has been a substantial recovery in industrial activity, but unemployment remains a problem. This condition has resulted in some unions injecting the issue of a shorter week.

Three union groups, important to the national economy, will sit down with management this year and discuss new contracts—steel, railroads, and aluminum. If they win higher wages and benefits and shorter hours it will lead to higher prices and spark the inflationary spiral again.

Something that will bear watching in the months to come is the suggestion for union representation on the Federal Reserve Board. Sponsors of this idea say that all segments of the economy should have a voice in the management of the central banking system.

The assumption back of this is that the monetary authorities have been following a misguided policy of firmness in the face of unemployment.

While bankers generally understand the danger of inflation and support measures to combat it, there is little likelihood that higher money rates would deter union leaders from seeking higher wages or keep management from raising prices.

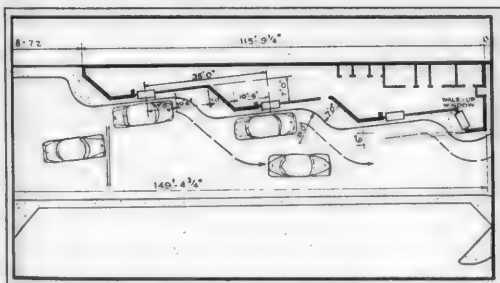
(CONTINUED ON PAGE 144)

INSTALMENT BLUES

Our budget would never become so upset,
If only my wife could frown on
A lot of those things which are easy to get
By putting a little bit down on.

STEPHEN SCHLITZER

How Union Planters National Bank serves up to
800 depositors a day...
on the narrowest lot in Memphis



▲ Above—Note how depositors can enter and leave at any window without blocking traffic. Building is only 18 feet wide at widest point, less than 150 feet long.

Below—The Mosler "Picture Window" is sleek, modern, completely automatic. Operates at the touch of a button. It's draft proof. Money is in view at all times. ▼



"Our Mosler auto-teller installation solves the king-size plague afflicting our business...the parking problem", says Mr. D. N. Shepherd, Vice President and Cashier of Union Planters, speaking of the Front Street installation. "We're just a block and a half away from one of the most heavily trafficked areas in Memphis. Yet we average 400 depositors daily and easily handle twice that on heavy days in spite of our extremely limited space."

EASY ACCESSIBILITY

The building was designed by Eason, Anthony, McKinnie & Cox. Says Mr. Anthony, "The modified saw-tooth design not only provides for concentrated spacing of tellers but also permits free movement of depositors at any drive-in window. Our experience with Mosler equipment has always been completely satisfactory."

MOSLER VAULT DOORS

Union Planters is the largest bank in its area. Mr. Shepherd reports, "We have been using Mosler equipment for years, including 15 night depositories and 12 big vault doors. Throughout our system, Mosler equipment has provided efficient service."

When it's time to remodel or build...why not draw on Mosler experience? Ask to see the new Mosler Auto Banking Idea Book. Call the Man from Mosler or write to the address below.

Integrated Banking Equipment by
THE MOSLER SAFE CO.

Dept. A-1, 320 Fifth Avenue, New York, N. Y.

In Canada: Mosler-Taylor Sales Ltd., 145 Front Street, East, Toronto, Canada

Communism

The Berlin crisis may be a threat of real war, but if not Berlin then it will be someplace else. Western logic and respect for agreements have not been successful in coping with opponents who are conspicuously lacking in both of these habits and traditions.

Barring a hot war, the economic conflict with communism will probably be largely decided within a year or two. By that time there will be no doubt who is winning. We shall either have established unquestioned superiority in productivity, space exploration, and arms, or not.

A reasonable question is why we are inclined to believe everything that comes out of Moscow regarding missiles and the production of goods when we know that words and statistics are used by the Communists mainly as a means of deception.

Khrushchev fires off a few imaginative figures about a new 7-year plan and the thing goes into orbit around the world. The return signals fade immediately, but this only convinces us that the boast has real substance.

It will take more than words for the Soviet economy to bury us. The apparent achievements of the Communists in rocketry are not so much proof of communist superiority as proof of our own complacency and lack of leadership. Senator McCarthy was demanding an investigation of our lagging missile program a year and a half before the first sputnik, but that was McCarthyism and naturally ignored.

One reason for our obvious confusion on who is ahead in the missile race and how rapidly the Communists are taking the lead economically is that we print everything out of Moscow and everything out of Washington on the subject.

The news from Moscow and other word-producing centers of communism is always the same—what you can do we can do better. It is like a Russian ballet, fast, perfect in rhythm, never a word out of step, beautiful to watch.

Our news is different. It gives all sides and opinions. One morning the White House or the Pentagon says that we are well ahead in security measures and, of course, in gross national everything. That afternoon someone with equal access to authentic information will proclaim that the Communists are far ahead and moving faster.

The extraordinary demand for information on the future has prophets working overtime. It springs from worry and the desire for reassurance. Business never pondered more diligently the months and years ahead, with less success in reaching any firm conclusions.

Even the venerable Census Bureau, originally set up to count existing noses, has had to turn its attention more and more to the job of counting babies that are not yet on the assembly line and marriages that are not yet even rumored, or possibly the other way around.

Far from being a cause of worry, we should regard the prospect of economic competition with communism as a most favorable long-term augury. Competition is supposed to be the thing that puts the spark of life in free enterprise. If the time comes when we fear com-

Ounce of Prevention . . .

INFLATION is a vicious process. It creates all sorts of distortions that are often obscured and that become understood only after it is too late. . . . Lessons can be learned from history. Banks and other financial institutions that ignored what happened in past periods too often found themselves in difficulty. The same warning should be echoed today, not in a spirit to provoke alarm, but in sober reflection upon the importance of preventative medicine.—LEE P. MILLER, *president, American Bankers Association.*

munist competition in the economic field, history will have reached a turning point.

Statistical evidence indicates that we are using only a fraction of our productive capacity in all lines and we could increase that capacity still farther if needed. What it adds up to is that we have the industrial and financial competence and materials to outproduce communism by a huge margin, if we had the market for the products.

There is still quite a gap between our productive capacity and marketing capacity which we have not been able to close.

Undeveloped Areas

There was never a time when the condition of world business and the condition of Main Street business were so closely parallel. The so-called nationalistic turbulence in undeveloped regions and our difficulty in deciding which are "good" dictators and which are "bad" dictators have a direct bearing on the future of all U. S. business.

It is interesting that the undeveloped areas are breaking up into nationalistic fragments at the very time old Europe is making its most ambitious effort to lower national barriers and achieve a common market.

A Managerial Revolution, dwarfing in size and portent anything in the book of that name by James Burnham, published some years ago, is in progress throughout the free world. People who created and managed all that we know of modern civilization seem driven by some suicidal necessity, with intellectual overtones, to abdicate their responsibilities and opportunities. In the face of all facts and reason they renounce any notion of superior competence and energy and turn the partly done job back to people who, through the centuries, never did much with the opportunities.

It is a disturbing phenomenon that so much attention should be solemnly focused on so-called nationalistic movements in Africa, for example, and so little credit given to those who established civilization where none existed. Colonialism in some form or degree has been responsible for the spread of civilization throughout history.

If our present attitude toward this question had prevailed a century or so ago, the United States would still be a cluster of states on the Atlantic and most of our cities would be clusters of wigwams.

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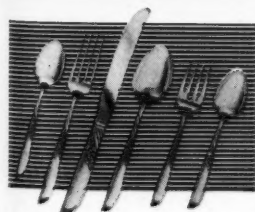
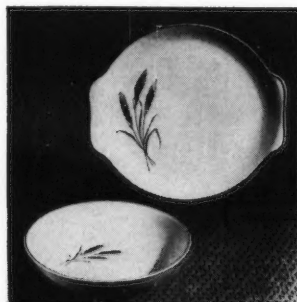
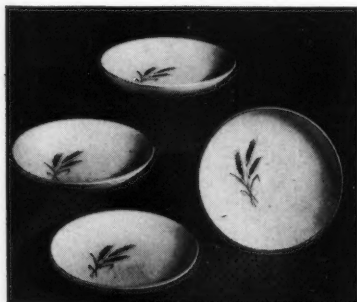
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Royal Joci is produced by one of America's leading manufacturers. Customers love it because it's suitable for any dining occasion, is completely ovenproof and will blend with both traditional and

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This graceful wheat pattern, decorated in 23 carat gold, is an exclusive design. It cannot be purchased in retail stores. Each unit is priced at less than \$2.25. The only complete campaign offered with personal service, lobby displays and local advertising aids.



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A 6-piece place setting is one of the many exquisite tableware units which make up a complete setting. All Oneida Silverplate is extra heavy weight with an overlay of pure silver applied at the wearing point of all spoons and forks. This extra overlay insures life-long service. Knives have hollow handles and mirror stainless blades.

Your customers will be thrilled at the idea of owning this beautiful silverplate as they save.

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Business & Address

City..... Zone... State.....

Night Flight to New Delhi

The professor was in a fix.

He was in India on a traveling fellowship and was leaving Bombay that night to lecture in New Delhi next morning. But he'd sent his notes and slides to Calcutta, where he was to speak the following week.

Could American Express help?

"We could—and did," comments John Miller, now our Denver District Manager, but at that time assigned to our Bombay office.

"I put in a call to our Calcutta office. It took the long-distance operator three hours to get through, because of a storm. Our Calcutta people found the professor's crate. They also found

there'd be no freight flight to New Delhi that night.

"But our Calcutta manager offered to take the passenger flight to New Delhi, with the professor's crate on his lap—even though the storm threatened to make his trip a tough one."

The crate arrived in New Delhi at 5:27 next morning, and the professor made his lecture as planned. "The storm had broken up," Miller adds, "so our Calcutta manager had a calm flight after all."

American Express had nothing to do with the calm weather. But the service is typical of the attention you and your clients can expect at any of

the 400 American Express offices around the world.

The men of American Express quickly, courteously furnish refunds if Travelers Cheques are lost . . . arrange car rentals . . . plan sight-seeing trips . . . recommend restaurants.

They can also help you arrange overseas commercial banking or warehousing facilities for your customers—in faraway countries where the language and laws are vastly different from our own.

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